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THE SENATE OF CANADA

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Proceedings of the
STANDING COMMITTEE ON
CANADIAN TRADE RELATIONS

in respect to the inquiry into what, in their opinion, might be
the most practical steps to further implement Article 2
of the North Atlantic Treaty.

No. 8

THURSDAY, MAY 7, 1953

The Honourable A. N. McLEAN, Chairman

WITNESSES:

Mr. Paul J. G. Kidd, legal counsel, Hiram Walker and Sons Ltd.
Mr. A. R. Mosher, President, Canadian Congress of Labour.
Mr. M. Levinson, Dept. of International Affairs, Canadian Congress of
Labour.

REPORT OF THE COMMITTEE

APPENDIX E

Restrictions, by Continents, on Importation of Spirits from Canada.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1953

CANADIAN TRADE RELATIONS

The Honourable A. N. McLEAN, *Chairman*

The Honourable Senators:

Baird	Duffus	McDonald
Bishop	Euler	McKeen
Blais	Fraser	McLean
Buchanan	Gouin	Nicol
Burchill	*Haig	Paterson
Campbell	Howard	Petten
Crerar	Hushion	Pirie
Daigle	Kinley	*Robertson
Davies	Lambert	Turgeon
Dennis	MacKinnon	Vaillancourt—(30)
Dessureault	MacLennan	

35 Members—(Quorum 7)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Thursday, February 26, 1953:

"That the Standing Committee on Canadian Trade Relations be empowered to enquire into and report on—

1. What, in their opinion, might be the most practical steps to further implement Article 2 of the North Atlantic Treaty whereby the signatories to that document agreed that—"They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

2. That notwithstanding the generality of the foregoing, the Committee be instructed and empowered to consider and report upon how, in their opinion,

- (a) any project for developing economic collaboration, specifically between the countries who are signatories to the North Atlantic Treaty, can be co-ordinated with the trade policies of other countries of the free world;
- (b) any project for developing economic collaboration between the countries which are signatories of the North Atlantic Treaty, might have the same degree of permanence that is contemplated in the twenty year Military obligation under Article 5 of the Treaty whereby "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all".

3. That the Committee be empowered to extend an invitation to those wishing to be heard, including representatives of agriculture, industry, labour, trade, finance and consumers, to present their views, and that the Committee also be empowered to hear representations from business interests or individuals from any of the NATO countries who might wish to be heard.

4. That the Committee be empowered to send for persons, papers, and records, and to secure such services as may be necessary for the purpose of the enquiry.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

THURSDAY, May 7, 1953.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10:30 a.m.

Present: The Honourable Senators:—McLean, Chairman; Bishop, Burchill, Campbell, Euler, Gouin, Haig, Hushion, Kinley, Lambert, MacLennan, McDonald, Pirie and Turgeon—14.

Consideration of the order of reference of February 26, 1953, was resumed.

The following were heard:

Mr. Paul J. G. Kidd, legal counsel, Hiram Walker and Sons, Limited.

Mr. A. R. Mosher, President, Canadian Congress of Labour.

Mr. M. Levinson, Department of International Affairs, Canadian Congress of Labour.

An appendix to the brief read by Mr. Kidd, showing restrictions, by continents, on importation of spirits from Canada, was ordered to be printed as Appendix E to these proceedings.

A draft Report, read by the Chairman, was discussed, amended and adopted.

Consideration of the order of reference was concluded.

At 1:00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 7, 1953.

The Standing Committee on Canadian Trade Relations, which was empowered to enquire into and report upon the development of trade between countries signatory to the North Atlantic Treaty, and with other countries of the free world, met this day at 10:30 a.m.

Hon. Mr. McLEAN in the Chair.

The CHAIRMAN: This is the eighth meeting of the Canadian Trade Relations Committee since reference was made to us in connection with a resolution which was introduced in the Senate on February 12, and referred to this committee on the 26th.

We have two very important delegations here this morning. We have the Canadian Congress of Labour, represented by Mr. A. R. Mosher and Mr. Levinson. Mr. Mosher is the president, and Mr. Levinson is connected with its Department of International Affairs. We also have here Hiram Walker & Sons Limited, represented by Mr. Paul J. G. Kidd, legal counsel. Possibly we could call on Mr. Kidd first, and then we will call on the delegates of the Canadian Congress of Labour. If Mr. Kidd will please come forward, he will read his brief, and then we will have a question period, unless there is something a member would like clarified while he reads his presentation.

Mr. PAUL J. G. KIDD: I think each member of the committee has a copy of this. Possibly it looks a little formidable, but I think we can run through it rather quickly.

Hon. Mr. HAIG: Will Mr. Kidd tell us whom he represents and where he is from?

Mr. KIDD: I represent Hiram Walker & Sons, distillers, of Walkerville, Ontario. I am in the law department there. My name is Kidd.

As we stated in accepting the invitation of your Committee to make a submission, we appreciate being asked to do so, and we hope our experience may be of assistance to you.

Hiram Walker & Sons Limited, distillers, of Walkerville, Ontario, was founded in 1858. We have been engaged in the export trade for over 70 years and are continually endeavouring to expand our export business. Total exports of potable spirits from Canada for the calendar year 1952, according to government statistics, were valued at \$54,443,853.00, of which \$44,278,100.00 went to the United States. The problem of trying to maintain and increase our export trade is a daily one. While we are presently shipping some goods to more than 100 countries of the world, to arrive at this number we have to count many countries to which we can ship only small diplomatic accounts, military accounts and ships' stores accounts which are not subject to ordinary trade restrictions. As will be seen the ordinary trade channels in many of these countries are completely closed to us, usually due to import restrictions and exchange difficulties.

The invitation of your Committee asks us to deal with the problem of increased economic co-operation between the NATO countries, and between the NATO countries and other countries of the world. As far as our business is concerned, there is no practical difference between a NATO country and the

others. May I interject that we do well in some NATO countries, we do hardly anything in some others. The same condition applies to non-NATO countries.

NATO COUNTRIES:—Leaving out Canada the remaining NATO countries are as follows: Belgium, Denmark, France, Greece, Iceland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Turkey, United Kingdom, United States of America.

We summarize below the situation with respect to the entry of our products into each of those countries except as to tariffs which are not treated herein since the main obstacle to getting our goods into most countries is not a tariff one. In any event, of course, the tariff question is most complicated. Your Committee will observe the numerous restrictions which are most discouraging to Canadian exporters after so many years of effort and expense in building up markets. Prior to World War II there were no governmental restrictions against importing into any of these countries, at which time we did a steady business in all of them except Turkey.

BELGIUM:—A complete ban had been placed on Canadian spirits but the government has recently begun to issue small import permits.

Hon. Mr. CAMPBELL: I wonder if the witness would elaborate on that, and state where there is a ban by reason of currency restrictions. It would be helpful if he would indicate in each case why there is a prohibition such as the one he has just mentioned.

Mr. KIDD: I think I could say this, that it is always a matter of import restrictions, ordinarily due to lack of dollars. I will mention one or two countries where there is prohibition due to religious difficulties or something of that order.

DENMARK:—There is an import restriction on all luxury articles from Canada with an exception being made for goods sold in stores permitted to sell such goods to visitors having dollars to spend. Importations of Canadian Whisky for the ordinary domestic trade are not possible.

Hon. Mr. TURGEON: Does that apply only to whisky from Canada, or is it applied to whisky from all other outside countries?

Mr. KIDD: I am not sure I can answer that exactly, but we do find that the Scotch distillers are able to ship to many countries to which we cannot ship.

Hon. Mr. HAIG: But they are in the sterling area.

Mr. KIDD: That is because they are willing to take sterling, of course. I would not be a bit surprised if some Scotch went into Denmark.

FRANCE:—Shipments of whisky and other luxury goods from the dollar area are only purchasable with 3% of earnings on exports from France to Canada and the United States. Notwithstanding the fact that French wines, brandy etc. enter Canada without restriction we are unable to get more than a small quantity of our products into France. Only the fact that some of our affiliated companies have agencies for the importation of wines and spirits from France enables us to make the present small shipments.

GREECE:—No import permits are granted for Canadian whisky for sale on the domestic market.

Since the brief was prepared, just this week, we received intimation from the Department of Trade and Commerce that there will be some relaxation of restrictions on certain goods, including whisky. Whisky may now be imported, but just in what quantities and on what basis we are not yet informed. But there has been a little loosening up in Greece, although perhaps Greece so far as we are concerned is not a very important market.

Hon. Mr. KINLEY: I think you said with regard to France that you yourselves can dispose of some of the wines of that country, and in that way you get some of your goods into France.

Mr. KIDD: Yes, sir.

Hon. Mr. KINLEY: There is something there: that is an individual exchange of products with a country, which is rather novel. If you can get your goods into a country because you exchange products with a firm in that country, that is something new to me.

Hon. Mr. EULER: Barter.

Hon. Mr. KINLEY: Well, that is individual barter.

Hon. Mr. BURCHILL: Would it not be better to let Mr. Kidd present his brief, and when he gets through we can ask him all the questions we want to.

Hon. Mr. KINLEY: Don't get disturbed. I was just asking the question because I thought it was an important point, a new approach. I have the answer, and the answer is, they can do it.

Mr. KIDD: Perhaps I can answer the question this way. We will come to one or two other cases which are somewhat similar.

ICELAND:—From time to time the Governmental Icelandic Wine Monopoly receives dollars enabling it to purchase Canadian Whisky for the Icelandic domestic market. They are able to purchase quantities in excess of their pre-war imports so we have no problem as to Iceland which is a very limited market.

ITALY:—Before granting an import permit for Canadian Whisky, the Italian authorities insist that Canadian Distillers shall purchase for their own use artisan-ware advertising novelties, particularly ceramic-ware, leather-ware, wood-work or straw-work. Italy allows in whisky to the amount of 75 per cent of the value of the novelties purchased. However, speaking for our own company, we have been unable to work out anything, because the samples submitted were too expensive and not suitable for our use.

LUXEMBOURG:—Luxembourg has a complete Customs union with Belgium. Same situation as in Belgium.

THE NETHERLANDS:—Ten per cent of Dutch exporters' dollar earnings may be used for the import of luxuries which dollars are obtainable at a premium of about 50 per cent above the ordinary rate of exchange which limits our sales to a minimum.

NORWAY.—No import licences have been granted for the importation of Canadian Whisky since World War II. The Norwegian Government were approached regarding compensation arrangements for whisky against nitrates but they were not interested.

We shall come to one or two other cases of this compensation type of arrangement, or barter, as someone described it.

PORTUGAL.—Import permits are not granted for luxury goods from hard currency countries. The principle of compensation is recognized, and we have recently been able to arrange one very small shipment of whisky against a purchase of corks for our own use. We understand that there is a 10 per cent tax on all imports made under compensation arrangements.

TURKEY.—Import permits are not made available for luxury articles. We have never been able to export anything to Turkey for the domestic trade as the Moslem religion prohibits consumption of alcohol.

UNITED KINGDOM.—Under the United Kingdom token shipment scheme, token shipments of whisky from Canada are now allowed into the United Kingdom on the basis of 30 per cent of the average value of the imports during the years 1936, 1937 and 1938. For 1951 the rate was 40 per cent.

I shall have something more to say a little later on about this token shipment scheme. We are going to suggest to the committee that that principle be extended.

UNITED STATES OF AMERICA.—No restrictions.

REMARKS:

As pointed out above military forces and members of the diplomatic corps on duty in countries other than their own who have dollars available are allowed to import spirits from Canada for their own consumption and are not subject to restrictions in force in the above markets.

I put that statement in more or less for the record because it may be that we might, for instance, make some shipment to United States consul officials or somebody like that in Turkey, so actually there would be something going in but not through the ordinary channels of trade. This is a very special type of thing.

It will be observed from the above that our business through ordinary trade channels in most of these countries is at present severely restricted. The volume we do is almost negligible compared with what we could do if no restrictions existed. This situation prevails notwithstanding the tremendous gifts and loans that have been made to many of these countries by Canada.

NON NATO COUNTRIES

Coming now to the countries which are not members of the North Atlantic Treaty Organization, we do not think we should burden the Committee further with our difficulties in each and every one of them. However, an example will illustrate the problems and we have also attached hereto a complete Appendix arranged by continents which lists each country and shows the restrictions in effect on the importation of spirits from Canada, which in most cases are such that spirits are completely excluded.

AUSTRALIA.—Australian wines and/or brandy can be purchased in any Province in Canada and yet we are unable to get one bottle of our Canadian Club whisky or any other brand into the ordinary channels of trade in Australia, notwithstanding the intelligent and whole-hearted co-operation we have received from the Canadian Government Trade Commissioner service. Such imports from Canada are prohibited by Australia. When an import of spirits is permitted into Canada from another country, we feel that Canadian distillers and others in the trade are in a strong position to ask that at least token exports of their goods should be permitted to the favoured country. The argument is frequently used that some goods are more necessary for the economy of the importing country than others with the result that our whisky is excluded. However although as pointed out above we were unable to get one bottle of our whisky into Australia, Australia imported 413,364 proof gallons of Scotch and Irish whisky from the United Kingdom in the calendar year 1952.

REMEDIES.—We have repeatedly urged that at least some token shipments should be allowed into these markets so that the sales promotion efforts for many years past would not come to naught but that instead sufficient of our goods would be allowed in to keep valuable brand names alive. If a brand is off the market for some time it is easily forgotten by the buying public and new tastes are acquired. There is involved not only the loss of present sales but a weakening of goodwill for future export trade to the continued detriment of Canada and the loss of markets which were built up at great effort and expense over a long period of years. We urge the Committee to carry this further. Canada is continually trying to increase her exports and spirits have been an important factor in the total. The quantity of such token shipments would not upset the economy of any of these countries. We cannot emphasize too strongly the need for extending the principle of token shipments to all markets for the benefit of Canadian exporters. This plan is now permitted by the United Kingdom and the British West Indies only.

As far as suggesting an overall remedy is concerned it is most difficult to arrive at any complete solution, except for the most obvious suggestion, namely the convertibility of Sterling on which the best minds on both sides of the Atlantic have been working.

We have been doing what we could to improve the dollar situation in the United Kingdom by buying from it as much as possible particularly millions of lead capsules which go over the neck of our bottles, silk thread water-marked paper for labels, quantities of Scotch malt whisky for blending, advertising material and other miscellaneous items.

Furthermore our own distilleries in Scotland are producing and exporting Scotch whisky to many parts of the world, particularly the United States, and are therefore substantial dollar earners for the United Kingdom.

In considering remedies for the problem there is no doubt that the present standard of living in Canada is largely due to the fact that it has found markets abroad for its goods and that it has consistently exported more than it has imported. We believe this concept should have the strong support of your Committee. Except for the years 1950 and 1951 the dollar value of exports has exceeded imports as far back as we can obtain figures.

In concluding this submission we would like to say that we have always received the most helpful and intelligent co-operation from the Department of Trade & Commerce in Ottawa and the Canadian Government Trade Commissioner service abroad in an attempt to solve these difficult problems which occur in so many world markets.

We come now, honourable senators, to quite a lengthy appendix. I do not propose to go into each country in detail unless the committee would like to have me do so.

Hon. Mr. HAIG: I do not think there would be any advantage to go into each one in detail.

Mr. KIDD: No, I think not.

Hon. Mr. HAIG: The problem is how to meet the general question of restrictions. I do not want to interrupt.

The CHAIRMAN: Perhaps this appendix to your brief could be put in as an appendix to today's proceedings of this committee.

(See Appendix E to today's Proceedings.)

Mr. KIDD: I shall be brief in referring to the appendix at this stage. If honourable senators will run their eyes down the right-hand column they will see the initials "B.W.I.L.P." appearing in many places. These initials stand for "British West Indies Liberalization Plan". This is similar to the United Kingdom Import Token Scheme. There is a note in the appendix which I should refer to at this time. It reads:

British West Indies Liberalization Plan: Under this plan, Canadian firms who have exported to the B.W.I. colonies for the years 1946, 1947 and 1948 are permitted to apply to the Department of Trade and Commerce for an allocation for 40 per cent of the average F.O.B. factory value of their own shipments in those years for each colony.

Hon. Mr. KINLEY: This list includes Cuba too, I notice. There are no restrictions in Cuba.

Mr. KIDD: That is not one of the British West Indies. There are several countries appearing on the bottom of page A-1 of the appendix, on which there are no restrictions.

Hon. Mr. KINLEY: How do you account for the fact that there are no restrictions in the case of Turks Island?

Mr. KIDD: That is a good question. I am not sure I can account for it. I suppose they get a few tourists.

Hon. Mr. KINLEY: It is a great salt island. There is a lot of salt there.

Mr. KIDD: It is a tiny market as far as we are concerned.

Hon. Mr. KINLEY: But there are no restrictions there.

Mr. KIDD: I appreciate your question, senator. As I say, I am not prepared to say just why there is no restriction there.

Hon. Mr. KINLEY: Maybe no restrictions.

Mr. KIDD: That is right; Puerto Rico, Virgin Islands, French Antilles. I would be glad to look into that a little more and let you know, senator. They are just tiny amounts that perhaps do not mean a barrier.

Hon. Mr. KINLEY: But it would be interesting to see the communication between that island and the other islands. It may be a centre, you know.

Mr. KIDD: Then on page 2 of the appendix, if I might say a word about South America. We look down to Venezuela, in the middle of the page. This is the only free market in South America. We might consider that pre-war. Now Europe. I do not think there is anything special to say about that. I thought it might be interesting to the committee to refer to Spain, page A-3, as illustrating the efforts we do make. We recently suggested to the Spanish authorities that we would exhibit at the Madrid Spring Fair if they would grant us an import permit in compensation. The reply was to the effect that no import permits can be made available to Canada. In other words, if we had spent \$1,000 on an exhibit of some sort and they let us have 40 per cent of that value—but they would not listen. There is an interesting situation in Sweden. After prolonged negotiations, the Swedish government agreed to grant us compensation for our whiskies against the purchase of wood tops used for corks on a 25 per cent basis which allowed us to make a sale. This procedure is so cumbersome, time consuming and expensive as to make it hardly worthwhile. In fact when we started negotiations we understood that the compensation would be on a 50 per cent basis. This was reduced to 33 1/3 per cent and then to 25 per cent which included freight to Sweden so that our actual basis of compensation worked out at 18 per cent. In other words, by buying \$100 worth of corks from Sweden we could get \$18 worth of our whiskey into Sweden. In the meantime, we built up a nice big file. I think we sent a man twice from Sweden to England, and that was what resulted.

I do not think I have any special comments on Africa or on any of the remaining countries which are dealt with. We went to some pains to dig out this information and it is all here if anyone cares to go over it. Again, I note at the bottom of the last page that military forces and diplomatic people on duty in countries other than their own who have dollars available are allowed to import spirits from Canada for their own consumption and are not subject to restrictions in force in any of the above markets.

I think that concludes our submission, Mr. Chairman.

Hon. Mr. McDONALD: I suppose the trouble with Australia is the lack of dollars?

Hon. Mr. HAIG: They are buying from Britain.

Hon. Mr. KINLEY: What percentage of your production is exported?

Hon. Mr. EULER: Mostly to the States, anyway.

Mr. KIDD: And the bulk is to the U.S. I am not in a position to say what percentage of our plant capacity is devoted to it. I do not know that.

Hon. Mr. KINLEY: I just wanted to see how good a job you are doing. We are dealing here with export trade, and if your percentage on exports now is large, why, you are in a favourable position.

Mr. KIDD: Well, the Dominion Bureau of Statistics records, of course, usually, consistently higher exports from Canada of spirits. This is the D.B.S. publication—the sale and control of alcoholic beverages in Canada; and at

page 28 is set out the exports of Canada of domestic alcoholic beverages. I would just pick a figure out at the end of the war 1945. The exports were close to 18 million, and by 1951 they were almost 47 million.

Hon. Mr. EULER: You were speaking of your distillery or distilleries in Great Britain—I suppose in Scotland.

Mr. KIDD: Yes, sir.

Hon. Mr. EULER: If you have your own manufacturing facilities over there why are you concerned about exporting to Great Britain; is it because there you make only Scotch Whiskies?

Mr. KIDD: Yes, sir.

Hon. Mr. EULER: And you would like to send in some of your rye products?

Mr. KIDD: That is right. Our Canadian Club, of course, has been widely advertised, and pre-war was shipped to so many of these places from which we now find ourselves excluded.

Hon. Mr. EULER: That takes off South Africa also. You send nothing in there at all, but we do buy considerable brandy.

Mr. KIDD: That is true. South Africa Brandy is sold in all the stores.

Hon. Mr. KINLEY: Unfortunately we buy more from them than they buy from us.

Hon. Mr. HORNER: Why is there no Scotch liquor manufactured in England, but in Scotland, and the gin in England? You would not be allowed to manufacture scotch in England?

Mr. KIDD: Scotch is a definite product of Scotland, of course.

Hon. Mr. HORNER: At the time of union the Scotch were to make scotch and England the gin.

Mr. KIDD: That is very interesting, I didn't know that, senator.

Hon. Mr. BURCHILL: I take it from your brief that Turkey is a strictly prohibition country, is it?

Mr. KIDD: Yes sir,—the Moslem religion. I think there was one other of those, Arabia, on page A-5. King Ibn Saud recently imposed an absolute prohibition on alcohol, even for diplomats and foreign employees in the oil fields.

Hon. Mr. BISHOP: Why can we not get into Australia when we buy so much Australian brandy?

Mr. KIDD: Well, we think we should, senator, on the same basis that we get into England. The United Kingdom scheme calls for 30 per cent and while we would like it to be better, still you can keep up some flow of goods and keep your markets alive.

Hon. Mr. CAMPBELL: Did you do any business with Australia before the last war?

Mr. KIDD: Yes, sir. I can't tell you the last time we shipped them anything, but this condition has not always prevailed, no.

Hon. Mr. CAMPBELL: Purely a currency restriction.

Mr. KIDD: Yes, sir.

The CHAIRMAN: Mr. Kidd, with reference to countries that might have a favourable dollar balance, there are different parts of the British Empire that have a favourable dollar balance, but of course those dollars go into the general pool, but are any of those countries with a favourable dollar balance allowing the importation of spirits?

Mr. KIDD: Well, I don't know that I can answer that. Australia might be one of those.

The CHAIRMAN: You do not know whether Australia has a favourable dollar balance.

Mr. KIDD: I should think they might have. As you say, it goes into a pool. It might be that Australia would be very well able to do this.

The CHAIRMAN: I can appreciate your argument with respect to losing trademarks. One case came to my notice where an exporting concern wanted to keep the trademarks alive, and in an effort to do so would make a free gift—no dollars involved at all. They would give it away free if you would take it into your country, so that trademarks could be kept alive. That was turned down some time ago. I do not think they have been allowed to even give their goods away to keep the trademarks alive.

Hon. Mr. EULER: I notice you are making your own arrangements with these countries, and are having a great deal of success. I wondered if you had invoked the service of the Department of Trade and Commerce.

Mr. KIDD: I think I can say, senator, that all this is done with the knowledge of the department, we are working constantly with their Ottawa people and foreign people, and I know most of those chaps when they come back to Canada tour around the various exporters, and we see a lot of them at our office, and I would be very sure that this was known to them.

Hon. Mr. EULER: They do not object to your making your own arrangements if you can make them?

Mr. KIDD: No, not at all, no.

Hon. Mr. KINLEY: I think you have a manufacturing concern in the British Isles?

Mr. KIDD: Yes, we have a large distillery there, sir, Dunbarton on the Clyde.

Hon. Mr. KINLEY: Owned by—?

Mr. KIDD: Owned by ourselves. A separate subsidiary company, of course.

Hon. Mr. KINLEY: You call your whisky Canadian Club?

Mr. KIDD: No, sir; Canadian Club is only made in Canada. We make Scotch over there, of course. The United Kingdom is, as you know, primarily a Scotch market, but there is some Canadian whisky drunk. The whole purpose of this submission is the advancement of trade as far as our Canadian whisky is concerned. Of course we have our Scotch interests, and we have large interests in the United States and so on. That is outside the scope of this presentation: it is exportation from Canada that we are concerned with.

Hon. Mr. HORNER: Do they manufacture their own whisky in Turkey, although the nation is supposed to be a nation of abstainers?

Hon. Mr. HAIG: They do not use any.

Mr. KIDD: I do not suppose there is any used there.

Hon. Mr. HORNER: The wonderful man who modernized Turkey drank himself to death. Maybe he did it with Canadian whisky.

The CHAIRMAN: Maybe that is why they ban it!

Mr. KIDD: Our sales there would not indicate that anybody had done so.

The CHAIRMAN: I notice you mention the Belgian Congo. Lately there has been quite a boom in Uranium ore. They are importing much more than they did two or three years ago, and probably stocks may have run out there.

Mr. KIDD: Well, we would be hopeful.

The CHAIRMAN: I know that exporters are getting in there more now than they did.

Mr. KIDD: I may say we do not let any of this "lie", so to speak. We have agents in all these countries who, for profit reasons, if no others, are constantly working on these subjects.

Hon. Mr. LAMBERT: The volume of your trade with the British West Indies is not as great as it was in 1947-48?

Mr. KIDD: No, it is just 40 per cent.

Hon. Mr. LAMBERT: Are you coming up to your full 40 per cent?

Mr. KIDD: Yes, sir. We use everything we can get.

Hon. Mr. EULER: Have you subsidiaries in the United States? I suppose you have.

Mr. KIDD: Oh, yes, we have quite a large show there. We have a large place at Peoria, Illinois.

Hon. Mr. EULER: Do you make the same kind of whisky there—Canadian?

Mr. KIDD: No, sir. The Canadian whisky is a distinctive product of Canada, and is only made in Canada. But fortunately the Canadian distillers enjoy quite a large market in the United States. The whisky has had a wide acceptance there. But it must be made in Canada.

Hon. Mr. EULER: In competition with yourselves!

Mr. KIDD: Well, yes, in a sense we are, but of course there are other classes and kinds and so on. If we only exported from Canada we might restrict ourselves to a very limited portion of the United States market. There are questions of types and prices and all that sort of thing.

The CHAIRMAN: Canadian Club, your top brand, is only manufactured in Canada?

Mr. KIDD: Yes.

Hon. Mr. CAMPBELL: Was the validation tax a handicap with you while it was imposed, as affecting exports?

Mr. KIDD: Yes, I would say so.

Hon. Mr. CAMPBELL: You are glad to be free of that.

Mr. KIDD: Very much so.

Hon. Mr. CAMPBELL: Could you summarize your submissions by a statement such as this, that you feel that, since Canada has no restrictions against the importation of alcohol and spirituous beverages, we should enjoy a somewhat similar arrangement with all countries to whom we grant these export rights?

Mr. KIDD: I would think that is a very fair statement, senator. But I did not intend to put my case quite that high. We had only suggested here as a beginning that we hope for some extension of this token shipment business, so that at least we can make a beginning, and then of course go on from there.

Hon. Mr. EULER: Is not your difficulty the same as that of other people who want to export goods—shortage of dollars?

Mr. KIDD: Yes, sir.

The CHAIRMAN: Dollar payments.

Hon. Mr. CAMPBELL: But that is not so far as Australia is concerned, because I understand there are greater restrictions against certain luxury goods, including whiskies than against non-luxury goods.

Hon. Mr. EULER: Why have they these restrictions?

Hon. Mr. CAMPBELL: I was wondering why, in the case of Australia, there are such stringent restrictions. It is a prohibition really, is it not?

Mr. KIDD: Well, they get in all this Scotch, Senator.

Hon. Mr. EULER: From sterling areas.

Mr. KIDD: Yes.

Hon. Mr. CAMPBELL: But there is a prohibition against the importation of anything from Canada?

Mr. KIDD: I am not prepared to say quite what products that covers. I know it covers whisky.

Hon. Mr. CAMPBELL: I am speaking of whisky.

Mr. KIDD: Yes:

Hon. Mr. CAMPBELL: Complete prohibition.

Mr. KIDD: Yes. You cannot get a bottle in.

Hon. Mr. EULER: Again, the reason for that is shortage of dollars. They can bring it in from Great Britain because that is a sterling area.

Mr. KIDD: I think that is true.

Hon. Mr. GOUIN: Take France: Is the application of the 3 per cent general, or would that apply only to Canada?

Mr. KIDD: Oh, it is very, very small.

Hon. Mr. GOUIN: But does that apply to all countries, or only to Canada?

Mr. KIDD: I say in here, "Shipments of whisky and other luxury goods from the dollar area".

Hon. Mr. GOUIN: Canada and the United States?

Mr. KIDD: Yes. What arrangements they might have with Spain, for instance, I am uninformed on.

Hon. Mr. GOUIN: You have made efforts, I suppose, to increase the percentage?

Mr. KIDD: Oh, we are working on it all the time with our French agents and so on. Of course we often run into impasses.

Hon. Mr. GOUIN: There was one thing in your very good brief which I did not understand very well. On page 4 you refer to the United Kingdom, and on the last line of that paragraph you say, "For 1951 the rate was 40 per cent." What do you mean?

Mr. KIDD: It is now 30 per cent of the average value of the imports in years 1936, 1937 and 1938. In 1951 they allowed us 40 per cent. In other words, it is down 10 per cent from 1951.

Hon. Mr. GOUIN: As regards Belgium, do you think that the war-time supplies are likely to be exhausted in the near future?

Mr. KIDD: The chairman has indicated that there may be some hope there. All I can say is that we will do our best to get all the business we can as soon as we can.

Hon. Mr. GOUIN: Because I know personally that Canadian brands were very popular during war-time, and were almost their only source of supply.

Hon. Mr. KIDD: As the chairman has said, if there are some people going in from Canada to work, it may create a small market.

Hon. Mr. GOUIN: Did you say that Greece was an important or an unimportant importer?

Mr. KIDD: Unimportant. Infinitesimal. I just wanted to make sure I was not in any way misleading the committee, so I referred to that letter just received, as I say, a day or two ago.

The CHAIRMAN: Any further questions by honourable senators?

Hon. Mr. HORNER: Is rye grain used in the manufacture of rye whisky?

Mr. KIDD: Yes, sir, but not exclusively.

Hon. Mr. HORNER: Oh, no.

Mr. KIDD: Under the Food and Drug Act Canadian whisky and rye whisky are synonymous, and some labels, for instance, may be labelled "Rye", some may be labelled "Canadian".

Hon. Mr. EULER: Are not they sometimes labelled "Rye" when they are really made from corn?

Mr. KIDD: I would have to look at the definition to answer that.

Hon. Mr. EULER: "V.O.", which is made in our home town—?

Mr. KIDD: I am quite sure rye whisky is not from a 51 per cent mash of rye, necessarily.

Hon. Mr. EULER: I know that, for example "V.O."—if I may just mention a certain brand made by Seagram's, used to be labelled "Rye", but it is not now, because it is made from corn.

Mr. KIDD: As I say, on that, you could label it as you wished: Canadian whisky would be rye, or rye could be Canadian, because over a period of probably the last twenty or thirty years the choice in Canada seems to be rye or Scotch, so to speak, and "Rye" and "Canadian" have come to mean, in our view and in the view of the department in the recent revision of the regulations, the same thing.

Hon. Mr. KINLEY: Have you the trade mark "Rye" or "Canadian"?

Mr. KIDD: The marks are usually registered just for whisky, so that it will embrace any kinds. When you register a trade mark you attempt to get as broad a coverage as you can.

Hon. Mr. KINLEY: You have not got a trade mark on "Rye", have you?

Mr. KIDD: Some of our old marks might describe it as rye whisky, but even if they did, I think it would cover any type of whisky.

Hon. Mr. KINLEY: "Canadian" is your trade mark?

Mr. KIDD: "Canadian Club" is our best known mark in the export field.

Hon. Mr. KINLEY: The Irish make rye whisky.

Mr. KIDD: I have never heard of it.

Hon. Mr. HAIG: This gentleman has given a fair brief. Personally I want to hear what these labour people have got to say. His problem is, if Australia wants to use her dollars to buy wheat instead of whisky, she is going to do as she likes, and I do not think our government can interfere, and I do not think any recommendation of this committee would affect the matter.

Mr. KIDD: Yes.

Hon. Mr. HAIG: I agree with you that if Australia buys Scotch whisky from Britain they ought to be able to buy rye whisky from us; but they have not the dollars to do all the things they want to.

Mr. KIDD: We know that is the problem, but we do not feel we should be completely excluded. If the United Kingdom and the British West Indies and other markets in the sterling bloc can devise ways and means for these token shipment schemes, we think Australia should be able to do the same, and we would certainly hope that some recommendation would be made, because these things can only be solved on a top governmental level.

Hon. Mr. GOUIN: It is a matter of reciprocity. We buy a very large quantity of their wines.

Mr. KIDD: It is all very well for Australia to say we have no dollars, but obviously they have some dollars.

Hon. Mr. HORNER: On the other hand, they sell very large quantities of wool, mutton and so on to Britain. They are just pretty well "on the spot".

Mr. KIDD: But I wonder if they are in a more serious spot than Britain is, or the British West Indies, where we can get in 30 and 40 per cent.

Hon. Mr. HAIG: Sterling is controlled by Britain.

Mr. KIDD: That almost begs the question. The Australian pound is controlled by Britain, and if Britain will let in our whisky under the U.K. scheme, why should we not get some little consideration in Australia?

Hon. Mr. EULER: If you had a token arrangement it would not mean very much in the volume of exports for you.

Mr. KIDD: Perhaps not, but every little bit helps. You would keep your foot in the market.

The CHAIRMAN: The biggest thing about a token shipment is to keep your trade marks alive, where you have spent perhaps hundreds of thousands of dollars. But there is no money made on token shipments.

Hon. Mr. GOUIN: It would not cost them very much, but it would be very, very useful to us.

Mr. KIDD: That is the situation exactly. We do not feel it would upset any of these countries very much if we had schemes like we have with the United Kingdom.

Hon. Mr. HAIG: I suggested to this man that he could bring a "token shipment", to see whether it is a good or bad idea, but I have not seen any token shipments come our way!

Hon. Mr. BURCHILL: Did you make any substantial shipments to Australia previous to this?

Mr. KIDD: We have had a good steady business. In some markets business was good. In others not so good. But when you enjoy a good steady business you hate to see it chopped off. I am sure many other Canadian exporters are in the same position.

Hon. Mr. CAMPBELL: I think, if all Canadian exporters put forth the same efforts to develop foreign markets as the distillers have, Canada's trade would be in a much healthier condition today. There is no doubt that the manufacturers of alcoholic beverages have done an excellent job in trying to promote foreign trade. I am very much in sympathy, Mr. Kidd, with your problem in Australia, because if you could switch that one business that Canada does with Australia to France, it would increase your shipments to France under the token arrangement you have there.

Mr. KIDD: It certainly would.

Hon. Mr. CAMPBELL: But I think your company is to be congratulated on the efforts they have put forward.

Hon. Mr. LAMBERT: May I ask a related question? Does the Ford Motor Company manufacture cars in Australia, or does it ship them there?

Hon. Mr. EULER: They assemble them there.

Hon. Mr. LAMBERT: I know they do.

Mr. KIDD: I think it is an assembly plant. But they have a big business there.

Hon. Mr. EULER: All we did was to ship the stripped chassis.

Hon. Mr. LAMBERT: They do a good business. That is a business for which dollars must be provided. From anything I have read lately, and particularly in relation to the position of Australia in this international wheat agreement, it strikes me that they are not a very consenting—I would not say a completely consenting—member of the sterling bloc at the present time; and I think they would like to have the opportunity of trading outside if they got the chance.

Hon. Mr. EULER: They have not the dollars.

Hon. Mr. LAMBERT: Most of this sterling bloc always have sufficient dollars if they like to trade outside, but they are tied to a wagon they cannot get away from.

Hon. Mr. HAIG: The fundamental difficulty is that during the second world war Britain borrowed millions of pounds from these countries, and she owes them money, and it is blocked, and she is not going to let up on that block if she can help it.

Hon. Mr. LAMBERT: In the case of India that is not correct at all.

Hon. Mr. HAIG: Britain owes India millions.

Hon. Mr. LAMBERT: It is not true of Belgium, or Norway, or Sweden, and all those other countries.

Hon. Mr. HAIG: The company does not sell much whisky there.

Hon. Mr. LAMBERT: It is not true of Australia either.

The CHAIRMAN: I thank you very sincerely, Mr. Kidd, for having the patience to answer these questions.

Hon. Mr. BISHOP: Before the witness leaves, I would like to ask why the Ontario Liquor Commission excludes from its shelves all American whiskies. You cannot buy American whisky anywhere. Is it a form of protection for the local distillers?

Mr. KIDD: I cannot speak for the Ontario Liquor Commission, senator, but perhaps I could answer you in this way. First of all, the market is extremely limited. We ourselves have listed in Ontario an American-type of bourbon, which has a very limited sale. The taste is not acceptable to the Canadian public.

Hon. Mr. BISHOP: They can judge for themselves.

Mr. KIDD: There have been other listings. There have been some Californian wines, for instance, and I know of two other listings. Again, I say I cannot speak for the Commission, but the limited sale would be the real reason. They do not like to stock brands that they cannot sell.

Hon. Mr. HORNER: I think it is all to the good that there is none to put up for sale.

The CHAIRMAN: Thank you very much, Mr. Kidd. Honourable senators, we will now call upon the Canadian Congress of Labour. I think Mr. A. R. Mosher, the President of the Congress, is going to introduce the gentlemen with him.

Mr. MOSHER: Mr. Chairman and honourable senators, in the absence of Mr. Macdonald, the Secretary-Treasurer of the Congress, who would normally be the man to read our brief to you, Mr. Levinson, who is the Director of our International Affairs Department, will do so. At the outset I think I can say that our brief will not perhaps be as spiritual as the one you have just listened to. I could add that we are naturally interested in the goods that might be exported from Canada to other parts of the world, but our mission particularly in connection with this matter is to sell more good will to the rest of the world than goods.

Mr. LEVINSON: Honourable senators: The Canadian Congress of Labour welcomes the opportunity of appearing before you to present its views on the matters contained in the Committee's terms of reference.

Honourable Senators:

The Canadian Congress of Labour welcomes the opportunity of appearing before you to present its views on the matters contained in the Committee's terms of reference.

Before doing so however, the Congress would like to commend the Senate for initiating an investigation into these matters which are of such vital importance to all sections of the Canadian population. It would like also to express its appreciation for the invitation extended to our organization to participate in your hearings today.

On numerous occasions, the Congress has stressed to the Canadian Government the advisability of soliciting the views of representative Canadian organizations on questions of foreign policy, particularly foreign economic policy. While the Government has recognized the desirability of consulting these organizations on major internal questions, it has rarely done so in the past on vital international issues. The citizens of Canada are being asked to, and will continue to be asked to shoulder the cost of very heavy international commitments. While the Congress believes that Canada must accept her full responsibilities in this field, it also believes that representative Canadian organizations must be given a greater opportunity to express their views on the policies for which this vast expenditure is being made.

It is hardly necessary for the Congress to emphasize its concern with the matters coming within the Committee's terms of reference. From a purely sectional point of view, the Congress is interested because the jobs and prosperity of many of its members and their families are dependent on Canada's external trade. In the last three years ending in 1952, our exports have amounted to approximately a sixth of our gross national production. Our import trade is almost equally important. Clearly, organized labour in Canada has a direct stake in the continued high volume of exports and imports.

Taking the broader viewpoint, as Canadian citizens, we consider Canada's role as a member of NATO and as a trading nation important if we are to resist successfully the threat of communism and maintain a free existence in a peaceful and stable world. We would stress, moreover, that both from the immediate and the long-range approach, the economic stability and well-being of the countries which compose NATO and others which have ties with them are at least as important as military strength. Military strength, after all, is no greater than the capacity of a country to maintain it, and no country can for long engage in large military efforts, even of a defensive nature, where its productive capacity is limited, its living standards low, and its economy unbalanced. Such is the situation in many countries of the world, countries which are our allies, or which we hope will be. For this reason, we welcome the investigation being made by your Committee on the means of encouraging long-term economic collaboration between NATO countries and of other countries in the free world.

The following submission attempts to outline certain proposals which the Congress believes will assist in eliminating long-run economic conflict between the countries of the free world. Special emphasis is given to economic relationships between the NATO countries, but clearly, NATO countries cannot be isolated from the rest of the free world.

THE DOLLAR DEFICIT

One of the basic long term factors making for economic conflict today is the dollar deficit. World War II destroyed a substantial part of the productive capacity of Europe, of Asia. Bitter struggles have led to a further deterioration in the ability of many areas of the world to satisfy their own needs. Rearmament, which is likely to last a long time, has placed an almost unbearable additional burden on the already taxed economies of many countries.

In a sense, one could say that we in North America stand alone. Despite our participation in two world wars within a generation, both Canada and the United States have emerged richer than before. Industrial expansion has taken place at an unprecedented rate. Blessed with great natural resources, the United States and Canada have become the world's wealthiest nations. We alone seem to be able, to a considerable degree, to have guns and butter.

North America sells much more to the rest of the world than it buys. The resulting dollar deficit is, and will probably continue to be one of the major causes of economic conflict in the free world.

In its issue of March 21, 1953, The London *Economist* examined in some detail the sixth annual survey made by the Secretariat of the Economic Commission for Europe. It found that despite the vigorous and in some respects successful efforts at rehabilitation, "Western Europe was unable to eliminate its trade deficit. In 1950 and 1951 it was still running well above \$3,000 million."

With regard to the figures for 1952, The *Economist* made these comments:

"The apparent improvement in Europe's balance with the dollar area in 1952 should not obscure the real problem. The gap was not narrowed through the finding of alternative sources of supply, but merely through a cut in dollar imports—a temporary reduction resulting in a depletion of stocks. The Survey stresses some of the weaknesses in Europe's present dependence on the United States. For instance, the scale of Europe's present exports to the United States is largely the result of America's exceptionally high level of defence expenditure. A fall in this expenditure would have the indirect effect of causing American producers to claim a share in the United States off-shore purchases in Europe.

"The chief potential danger is obviously an American recession and the effects it would have on the sterling area in particular and on Europe in general. Yet, even dismissing this possibility and allowing for small doses of American aid in times of stress, the Survey estimates that Western Europe must make an adjustment of at least \$2,000 to \$2,500 million. In order to strengthen currency reserves and relax discriminatory practices the adjustment would have to be somewhere around \$4,000 million.

In terms of its trading relations with the world at large, the United States balanced its payments in 1952 only because it granted substantial assistance to other countries. This assistance totalled \$5·8 billion dollars: economic aid \$2 billion, military aid \$2·2 billion and U.S. Government purchases abroad \$1·6 billion.

While not nearly of the same magnitude, Canadian exports to the non-dollar world are running substantially ahead of our imports from it. During 1952, excluding trade with the United States, our exports exceeded our imports by approximately a billion dollars. In the same year, the United Kingdom's imports from Canada exceeded its exports to Canada by \$386 million. A similar figure for continental Europe in 1952 was \$322 million.

The Congress recognizes, of course, that a solution for the dollar problem, particularly for Western Europe, does not by any means lie solely within our hands. A more liberal trade policy in the United States would be a factor of great significance, as would the efforts of Western European countries to maintain internal financial stability, increase productivity, and integrate their economies. It is true that the Canadian Government can encourage, to some degree, the adoption of such policies in other countries. However, we have, by and large, confined our remarks to the measures which we believe could be directly undertaken by the Canadian Government to alleviate the dollar deficit.

Some implications of our growing concentration of trade with the United States

In view of the dollar problem, it is disconcerting to note that imports from the United Kingdom are now a substantially smaller percentage of our total imports than before World War II. In the four years ending 1938, our imports from the United Kingdom averaged 19·1 per cent of our total imports, whereas in the last four years ending 1952, the figure was but 11·21 per cent. The trade statistics for Europe reveal a similar trend.

On the other hand, our imports from the United States have increased considerably within recent years. In the four years ending 1938, our imports from the United States averaged 59.5 per cent of our total imports, whereas in the four years ending 1952, the percentage rose to 70.1 per cent.

This development in our import trade has been accompanied by a parallel increase in our exports to the United States. In the four years ending 1952 these constituted an average of 56.7 per cent of our total exports as compared to 35 per cent in the four years ending 1938. What is more, without deliberate counteracting measures, this trend will probably continue. Because of geographic location, similarity of customs and tastes, complementary economic resources, etc., this is not unnatural.

But is it desirable in terms of long-run economic collaboration within NATO? We live in a world starved for dollars and are likely to do so for a good number of years. Unless we inject more dollars into the world currency stream, many of the present dislocations in international trade will persist. In view of this, the Congress believes that our increasing concentration of trade with the United States is not in harmony with our objective of collaboration with other NATO countries. In stationing a substantial part of our armed forces in Western Europe, we have recognized that our security interests are integrally bound up with that area. We might have taken a hemispheric defence outlook but we saw clearly the need for a wider grouping of the free nations of the world. Does not this same affinity of interests within the NATO area extend to the economic sphere? The Congress feels confident that this question can be answered in the affirmative. If such is the case, can we then logically become involved in an increasingly bilateral and restricted trade relationship with the United States? The Congress believes we cannot—particularly in view of the implications of such a course of action on a solution for the dollar problem.

Another factor resulting from this trend in our external trade must be emphasized: the Canadian economy is becoming ever more dependent for its continued prosperity on the United States. We have put many of our "eggs in one basket", and the American economy has not proven itself to be the most stable in the world. What is more, the protectionist influences in the United States are far from weak. The recent United States restrictions on specified Canadian dairy exports are a case in point. Nor do they stand alone. The *Financial Post* (April 23rd, 1953), under the heading "Beer, Whisky, Metals Threat Shows Isolationist Strength," says:

"While President Eisenhower is aiming only at holding the line against increased protectionism in United States, the protectionist forces are beginning to get results—not only in Congress but in the ranks of the Administration itself. The *Post* is assured by officials who are in direct touch with the President that he personally sees the necessity for liberalizing U.S. trade policy. But obviously not all his Cabinet members do. And when it comes to bucking an important industry like the electrical manufacturers, President Eisenhower showed last week that he clings to a strict interpretation of restrictive legislation like the Buy American Act.

"The Congressional pressures are typified by the Simpson Bill, reviewed in an adjoining column. The general belief here is that the Simpson proposals for increased tariffs on lead and zinc have the support of a new appointee to the Eisenhower Administration, Felix Wormser. Mr. Wormser was a vice-president of St. Joseph Lead Co., of Missouri: he is now an assistant secretary in the Department of the Interior with the Bureau of Mines reporting to him.

"The Secretary of Agriculture, Ezra Taft Benson, is openly encouraging the agricultural protectionists on Capitol Hill, (*The Financial Post*, April 18).

"Now it has been revealed that the Defence Department would prefer to pay an extra \$1.5 million on a \$7 million contract rather than buy electrical equipment from a foreign company, and that the Cabinet will support its preference."

"The latest U.S. attack on Canadian exports is directed at our whisky and beer. Canadian sales last year amounted to \$44 millions for whisky and \$2 millions for ale and beer.

"A resolution has been introduced in the House of Representatives by J. D. Dingell, Democrat of Michigan, to prohibit all imports of "Fermented malt beverages and distilled spirits" from Canada until Canada "permits the importation and sale for consumption of" similar products manufactured in the U.S.

"Mr. Dingell's resolution, based on a complete misunderstanding of the situation under GATT and the Canadian federal constitution, is really aimed at the provincial liquor commissions which do not handle U.S. liquor. It is a less serious threat to Canada than the Simpson tariff bill which already has an inside track in the House Ways and Means Committee and which proposes new restrictions on three other important Canadian exports—lead, zinc and petroleum.

"The Simpson Bill, proposed by Richard M. Simpson, a Republican from Pennsylvania, masquerades as a bill to extend the President's authority to make reciprocal trade agreements. In fact, it turns the Reciprocal Trade Agreements Act into a measure for raising tariffs, and it gratuitously adds special import levies on lead and zinc, and rigid import quotas on petroleum."

Now, since this brief was written, the developments in the European congress would indicate there is perhaps more to fear on this question of the Simpson Bill than was the case when this bill was written.

These developments indicate the growing strength of the protectionist influences in the United States even with the present high level of prosperity. What might their influence be if there is even a mild recession in the United States? Our trade concentration with our southern neighbour may well place us in an unnecessarily vulnerable position in the future. Taken in conjunction with the desirability of giving other countries the opportunity of earning dollars, there is a strong case for a conscious effort to decentralize our present trade pattern.

Suggested Measure to Alleviate the Dollar Deficit of Western Europe

It is certain that we must contribute to the dollar earning capacity of the world if we are to avoid economic conflict in the long run. The latest report of the Organization for European Economic Co-operation makes this abundantly clear. Under the heading "Essential Elements of a Lasting Solution" the report says on page 18:

"Thus the essentials of the solution to be sought clearly emerge. Europe must be made independent of American economic aid by means of sustained expansion which will restore its competitive capacity, increase its dollar earnings and allow it to move towards a stable equilibrium in a world-wide system of liberalized trade and payments. This calls for simultaneous and co-ordinated action on a broad scale by Western Europe and its associated monetary areas and by the United States and Canada. The main responsibility undoubtedly lies with the countries of Europe, since it is clearly the duty of every community to be self-reliant. But it is also clear that the co-operation of the economically stronger members of the Western community, namely the United States and Canada, is indispensable to a solution."

The Congress agrees. We also believe that such assistance is desirable from our own point of view. Here are some things the Canadian Government might do.

Part Payment in Sterling

Because of its inability to find the necessary dollars, the United Kingdom has been forced to curtail its purchases from Canada. True we have been able to shift a proportion of this trade by finding markets in the United States. However, we now have substantial food surpluses in Canada, as is evidenced by stocks on hand of certain agricultural products.

We note, for example, the statistics recently published by the Dominion Bureau of Statistics on grain stocks held in Canada as of March 31st, 1953. These figures reveal that stocks of many grain commodities are now considerably higher than has been the case in the past. The following table bears out the fact:

Commodity	Stocks as of March 31st	Average Stocks
	1953	1943-1952
Wheat	604	380
Oats	309	223
Barley	217	104
Flaxseed	7	7

(1) Figures in millions of bushels.

As the Honourable Chairman of the Committee said in moving the motion to inquire into the matters before you:

"Again, we have lots of surplus food in this country. Would it not be better to take sterling for these surpluses which we can invest, rather than let these surplus foods lie around in warehouses at considerable overhead expense or try to jam food down the throats of our own people by the subsidy method?"

Accepting sterling as payment for a part of our exports to the United Kingdom has been advocated by a substantial number of influential people. We believe that it has much merit. One method would be to set up a counterpart fund with the Canadian Government accepting sterling for Canadian exports and paying the Canadian exporters in dollars. The sterling in the counterpart fund could be used for the government's own purchases from the United Kingdom or the sterling area. It could also be used for Canada's contribution to the Colombo Plan.

Actual payment for the Colombo Plan projects would be made in sterling to Australian, New Zealand, Indian, United Kingdom or other sterling area suppliers and contractors undertaking capital developments in the Colombo Plan area.

I would like to interject here that at the present time, to my knowledge the Colombo Plan projects which are undertaken by Canada must involve the purchase of supplies for those projects from this country. For example, if India is building a dam, and we lend them Colombo Plan funds for certain purposes, they must buy, let us say, electrical equipment for the dam from Canada. While the Congress suggests that Canadian exporters should have the privilege of supplying that kind of material we do not think, especially at this particular point when the sterling crisis is acute, that the sterling suppliers should be excluded completely. Some leeway should be exercised in terms of letting Australia, New Zealand and the U.K. suppliers provide some materials under the Colombo Plan.

The amount of sterling to be used for the purpose would be established by the amount of Canada's contribution to the Colombo Plan—which we hope would be considerably greater than now. The effect of such an operation would be threefold. First, it would increase Canadian exports to the United Kingdom, without adding to their dollar problem. Second, it would aid capital expansion in the underdeveloped areas; third, it would increase exports for the sterling countries providing the capital equipment.

Government Purchasing:

In increasing European imports, more attention should be paid to our pattern of government purchasing. It is interesting to note, for example, that during the fiscal year 1952, Canadian Government departments spent approximately \$22.00 in the United States for every \$1.00 they spent in the United Kingdom.* We appreciate that a major reason for this is the Government's decision to standardize much of its military equipment with that of the United States. We are certainly not competent to discuss the merits of one kind of rifle or one tank as against another. Judging from the controversy on these questions, there is room for reasonable doubt as to whether United States military equipment is in all instances the best available. In any event, it seems apparent that military expenditure will constitute a major component of Government buying for some years. The Congress submits that the Government should investigate the possibilities of shifting more of these military purchases to Europe. A similar investigation should also be made into non-military purchases. While the Congress cannot assess the quantitative results of a deliberate shift in government purchasing, it believes it would be considerable. We note the following quotation from the United Kingdom Board of Trade Journal of February 16, 1952:

"if we had obtained only two per cent of all United States governmental purchases in 1950, our total exports to the United States would have doubled."

Productivity Grants or Loans:

One of the basic reasons European exporters have had difficulty in selling to the North American market is the inefficiency of many European industries. Between the wars, monopolistic practices were rampant in many European countries. Reinvestment and modernization of industry proceeded at a slow rate. As a result, capital and machinery were running down and becoming inefficient. World War II accelerated this process.

After World War II many countries in Europe recognized the need for increased efficiency. Plans such as the Monnet Plan in France were introduced in order to raise productivity. Heavy capital expenditures which constituted a severe strain on the economy of Western Europe were made for this purpose, for Europe knew full well that it had to revitalize its economy if it were to live.

Rearmament has slowed down this development. Available resources have had to be diverted from peace to defense uses. Yet the need for greater productivity remains. This applies with equal force to the inefficient agriculture of many European economies. The latest report of the Organization for European Economic Co-operation stresses that Europe must become less dependent on non-dollar sources of food and raw materials. Clearly, an increase in agricultural productivity is required to accomplish this objective.

We do not disagree with the new slogan of "trade, not aid." But Europe must be able to trade before we can dispense with all forms of aid. So it must continue to increase productivity. But, the 1952 report of the O.E.E.C., says, "Production in the various countries of Western Europe is either not rising or rising at a relatively modest rate."

The American Government has and is making productivity grants to Europe. Canada should do likewise. One way to do this is granting machinery or capital equipment. Certainly, agricultural machinery is badly required as are other types of capital equipment. This kind of assistance, would be invaluable in increasing Europe's ability to pay its way in the long run.

* United Kingdom and United States suppliers and Contractors receiving \$10,000 or more from Canadian Federal Departments:—Public Accounts 1952.

Western Europe is making efforts to rationalize its economic structure through economic integration. The Schuman Plan has been a notable accomplishment in this direction. The free labour movement of the world, represented by the International Confederation of Free Trade Unions (of which the Congress is an affiliate) has consistently supported these developments.

We believe the Canadian Government should give every encouragement to these efforts. In this regard, we would draw attention to the plans of the Schuman Plan High Authority for capital investment and modernization of the steel and coal industries of Western Europe. It is our understanding that capital will be required from outside Western Europe in order to fulfill these plans and we would suggest that the Canadian Government investigate the question of providing assistance for this purpose.

Immigration from Western Europe:

Another means by which Canada can encourage long-run economic collaboration with NATO countries is through a high level of planned immigration. Canada can and should make a contribution to the NATO countries by absorbing some of the surplus population of countries like Italy, Belgium and Holland. The fourth annual report of the Organization for European Economic Co-operation (*Europe—the Way Ahead*) makes the following comment about Italy, for example: "The population surplus is the most acute of Italian problems. The number of totally unemployed is estimated at present at about 2.1 million or about 10 per cent of the civilian labour force....The Italian Government does not expect that the unemployment situation will change greatly over the next two years unless emigration increases.... However far it may be possible to go beyond present targets for employment and output, the greater part of the unemployment cannot be eliminated in the near future. Emigration on a large scale remains necessary and Italy is entitled to more help from Member countries in this direction."

Quite obviously emigration would relieve over-populated countries like Italy from the burden of caring for their unemployed, reduce social security costs, lessen the need for various imports, release more goods for export and otherwise facilitate recovery. Canada has been accepting immigrants since the end of the war. There is good reason to believe that there will be room for more immigrants in the near future at least. Immigration will at the same time render a service to NATO countries and create internal markets in Canada. However, we would emphasize that such immigration plans must carry with them the safeguards necessary to protect the Canadian people against any adverse effects of dislocation.

International Commodity Agreements:

It is well known that Europe is largely dependent on imports for its supplies of food and primary raw materials. In the long run, a stable price structure for these commodities would be of great benefit to the European economy. This is obvious to those who observed the repercussions on Europe of the inflation in primary raw material prices which followed the outbreak of war in Korea. The progress which many European countries had made so laboriously since World War II in reducing the deficits in their balance of payments was all but wiped out in a few months because of the rapid rise in prices. This instability in price levels of major primary products is detrimental to the world at large. It is particularly injurious to the economy of Europe.

The Congress submits that much can be done to remove this price instability through an extension of international commodity agreements for a variety of primary raw materials. We recognize that such agreements are not easily

concluded. However, we believe that the Canadian Government should seek to give leadership in this direction. Despite the difficulties involved in their operation, international commodity agreements provide reasonable guarantees to producer and consumer.

Considerable success has been achieved by the "commodity groups" of the International Materials Conference. This organization, which was set up some months after the outbreak of war in Korea, has attempted to allocate scarce supplies of certain commodities at reasonable prices. From what the Congress has been able to ascertain, the "commodity groups" within the International Materials Conference have worked fairly satisfactorily.

The Congress noted the suggestion made by the Canadian Federation of Agriculture to this Committee with respect to international trade in farm products. We support their proposal for a world agency which would deal with the "distribution of periodic agricultural surpluses in such a manner as to cause the minimum disruption to world trade in these products." While the Congress believes that a system of inter-governmental commodity agreements is desirable from a long-run point of view, we feel that such an agency can make a positive contribution to world economic stability.

Assistance to the Economically Underdeveloped Countries:

The Canadian Congress of Labour has, on numerous occasions, emphasized the vital importance of assistance to the economically underdeveloped countries. We have continually urged the Canadian Government to increase our contributions. The \$25 million a year which Canada is giving to the Colombo Plan is not enough either in terms of the need or in terms of our capacity to give.

We have said that the \$25 million allocated for the Colombo Plan is too small to the receiving countries; it is even getting smaller. For the fiscal years, 1951-52 only India and Pakistan shared our contribution to the Colombo Plan. For the next fiscal year, 1952-53 India, Pakistan and Ceylon will share it. As you honourable senators well know, the Colombo Plan includes within its scope more than India, Pakistan and Ceylon, and that it extends for example to Burma and North Borneo; I understand there is a likelihood that Indonesia will come in. If those additional countries are to share the \$25 million which Canada has set aside, it is quite obvious that India's share will be considerably less than it was two years ago, and the same would apply to Pakistan.

While I am interpolating on this matter, I would like to say that we have done something on the Colombo Plan which might well be questioned. For example, in 1951-52 India was forced to accept \$10 million, of its Colombo Plan contribution of \$15 million, for wheat. The purpose of the Colombo Plan was obviously for capital development. However, we do not blame the Indians for taking the wheat, for obviously they were starving and had to have it. What we do suggest is that the Canadian government might well have made an additional allocation outside the Colombo Plan to cover the wheat in order that the Indians, who are getting rather a miserly amount in terms of capital development required, would not be forced to reduce that amount which was set aside for them in the Colombo Plan for capital development.

The recent budget is proof, if proof be needed, that Canada has money to spare for this kind of international co-operation. During the last world war Canada made gifts and loans in the name of "mutual aid." There is still a very real need for such aid, and to be effective it has to be made generously. Let us not deceive ourselves that by giving to the Colombo Plan, Canada is engaging in a pious act of charity. It is nothing of the sort. It is to help ourselves that we need to help others, whether it be in the United Kingdom, France, Pakistan or elsewhere.

The Congress read with great satisfaction the remarks of the Honourable Chairman of this Committee, when in moving the motion to investigate the problems before us today, he said:

We certainly do a good job in sending munitions abroad. I notice a defence department report states that Canada has shipped military stores, ammunition and other armaments worth \$264 million to North Atlantic Treaty Organization countries. *I agree with Dr. Keenleyside and the former Agriculture Minister of Ontario, Mr. Kennedy, that we are strong on munitions for poor nations and weak on food. Empty bellies certainly appreciate food as much as guns:* besides, we have a surplus of food and would get sterling for a good part of this surplus if we wanted to, whereas we do not have a surplus of munitions, unless we manufacture them at the taxpayers' expense. It is unquestionably a good thing for security purposes that we are in NATO, and we must pull our load; but we are told the ratio of our aid is \$100 for munitions to \$1 for food, etc.

The Congress need not labour the political aspects of this question. Suffice it to say that in the vast continents of Africa and Asia, and the Middle East and Latin America, there is a deep desire for material betterment, for industrial advancement, for social progress. Our totally inadequate economic aid allocation does not seem to recognize these aspirations. Unless we realize this soon and act, the Iron Curtain may encompass a greater area than it now does.

Assistance to the economically underdeveloped areas is more than a political problem. It is also an economic one, closely allied with the question of long-run economic collaboration. We quote again from the latest report of the O.E.E.C. (Chapter XI) "Policies Concerning Under-Developed Areas" (Page 182):

The delays that such difficulties imply make it all the more essential that the necessary efforts be begun as soon as possible. Increased dollar investment for the development of under-developed areas, in order to ensure directly or indirectly the production and export of materials needed for the long-term expansion of the United States economy, will not only alleviate the dollar problem in the short run, but strike at root causes of the present lack of balance in international trade and payments. In areas where standards of living are pitifully low, and sometimes declining as the growth of population presses on the means of subsistence, it will provide a necessary means of breaking the vicious circle, creating an atmosphere of hope, and reducing the very great risk of political and economic disintegration.

In viewing the matter from an economic standpoint, it may well be advisable to relate it to the problem of the dollar shortage. Clearly, the desire for capital expansion in the underdeveloped countries has placed a great strain on the overburdened economies of Western Europe. On the one hand, they have to sell to dollar markets. On the other hand, they are being pressed to provide the goods necessary for capital expansion in the underdeveloped areas. The United Kingdom and France, for example, have been forced to supply the capital needs of their territories in Africa and Asia. Moreover, the United Kingdom has, through its blocked sterling balances, supplied durable goods to certain Asian countries for similar purposes.

An increased Canadian contribution for economic assistance would go a long way, both to relieve the economies of Western Europe and to fill the needs of the underdeveloped countries. It would inject dollars into the world currency stream so that people could pay for our exports. Second, it would allow Western Europe to divert exports to dollar areas. It would have an even greater lasting

effect. Expansion of food products and raw materials requires an adequate supply of capital. If this is forthcoming the economically underdeveloped countries will be able to increase their production of such materials and thereby their sales to dollar areas.

This kind of assistance will be of great benefit to Canada itself in the long run. By contributing to the industrialization of this vast area of the world, we are contributing to a higher purchasing power for the millions who live in it. It follows that we are building up markets for our own products. Since our economic society has not yet proven itself capable of distributing its products as well as it can make them, this is no insignificant factor.

It is our considered opinion that private capital will not or cannot fulfil the needs of the economically underdeveloped areas. It is apparent from the thinking of many Canadian and American business men that they are reluctant to shoulder the risks of foreign capital investment. Investment opportunities in North America have been such that they have little or no desire to go far afield. Added to this is the attitude prevalent in many of the economically underdeveloped countries with respect to foreign capital. The experience of the past has led them to associate private foreign capital with the abuses of imperialism. Our participation in the International Confederation of Free Trade Unions has brought us into contact with trade union leaders around the world. Discussions with them and others have convinced us that the job of economic assistance will either be done in large part through government machinery or not done at all.

In this connection, the Congress would like to draw particular attention to the recent United Nations action in establishing an International Development Fund. The purpose of the Fund will be to obtain capital for development of the less industrially advanced nations. The money will be utilized in conjunction with the U.N. Technical Assistance Programme. Countries such as Canada are expected to provide the necessary resources. The Congress does not wish to minimize the Colombo Plan or other foreign economic aid programmes. However, we would stress the desirability of working through the United Nations and its Agencies wherever possible. Only in this way can we strengthen the machinery of world government. We would, therefore, urge the Canadian Government to support generously the recently constituted U.N. International Development Fund.

Full Employment Programme:

It has often been said that one of the greatest threats to long-run economic collaboration will come from an American depression. Even a minor depression in the United States can have far-reaching effects because of America's role in the world's economy. Already the fear is being expressed that trade in the United States may slump, even before the end of the year. It seems to us that a depression, minor or major, is the last thing in the world that should be permitted to interfere with the international co-operation which NATO is accomplishing. Climate is beyond our control. Soviet policies are similarly not of our making or choosing (although these we can at least influence). However, we can certainly so arrange our economies as to preclude a breakdown in external trade, in employment, in investment, and so on, which is precisely what the Soviet bloc is hoping and waiting for.

Both as an immediate and as a long-range programme, the United States, Canada and the rest of the NATO countries, and, for that matter, those other countries with which they have close ties, must get together and make full employment a continuing characteristic of the free world. Naturally, organized labour is most concerned about this but we submit in all sincerity that full employment, or the lack of it, is a measure of everyone's prosperity and not just the working man's.

We do not for a moment imagine that full employment can be obtained by figuratively waving a wand. On the other hand, it is not merely the stuff dreams are made of. Both Canada and the United States have had full employment during the war and for a time afterward. Even now the level of employment is high although fluctuating and spotty. Economists—and governments—now know much more about maintaining the economy at its optimum level of production (and consumption) than they did during the 1930's. We need hardly amplify the economic potential which NATO and connected countries represent: A vast pool of manpower, much of it literate and highly skilled, great industrial development and know-how, almost incalculable natural resources of the greatest variety. Surely, with assets like these, there is no excuse for a breakdown in our economies, particularly at the present time. We believe that dedication to the task of maintaining full employment on this continent and in Europe, will go a long way towards answering the question which concerns this Committee.

SOME IMPLICATIONS

If liberalisation of trade and an increased volume of imports from Western Europe and from other countries lead to hardship for some workers and communities in Canada, the Government must take action to counteract such effects. Some measures we have suggested may well involve increased burdens on the people of Canada. If these are to be borne, increased efforts must be made to inform the people of the reasons for such expenditure. What is more, these burdens must be borne on the basis of equality of sacrifice by all sections of the population.

The Congress contends that a programme of the type proposed will involve a direct and positive role for the Government. New policies in our trading relationships cannot but have a profound effect on a nation such as Canada which depends to such a high degree on external trade.

The Congress believes that if workers are displaced as a result of increasing imports they should be given some form of supplemental income during the transition from unemployment resulting from increased imports to re-employment elsewhere in the full-employment economy. Such income could very well be in the form of supplementary unemployment benefits to be granted to the worker. While he is receiving this supplemental income, he should be given the opportunity to develop new and different work skills through re-training programs. He must also be given the opportunity, if necessary, to be relocated and re-housed in another community where employment opportunities are available.

In addition, federal action must be taken to aid specific communities by enabling them to shift their productive facilities to the production of goods which are needed on the Canadian market. New companies and new industries should be encouraged to locate in these communities. The national Government has a responsibility to the community to enable it to maintain employment opportunities.

Any serious attempt to implement Article 2 of the North Atlantic Treaty will have a direct and important bearing on the social and economic welfare of many Canadian citizens. This leads us to propose the establishment of a consultative body composed of representative Canadian organizations—farm, labour, business, welfare, etc., which would consider questions, particularly economic questions, connected with Canada's role in the North Atlantic Treaty Organization. Such machinery would permit continuous consultation with organizations which represent large sections of the Canadian people. While in no way minimizing the role which your Committee is fulfilling in this regard, the Congress believes that some more permanent form of consultation on these questions must be worked out. If the economic functions of NATO really develop, such machinery will be imperative.

The CHAIRMAN: Very good. Now, members of the committee, the meeting is open for questions you might like to ask the witness.

Hon. Mr. EULER: Mr. Chairman, I must compliment the gentleman who presented this brief; it is very comprehensive, and in many respects I agree with it; in some other respects, perhaps I do not. I would like to make one comment and ask one question. I noticed in the brief, and rather to my mild surprise, that the congress is in favour of increased immigration—planned immigration, I think they call it, and I agree with that altogether. I notice he mentions Italy, Belgium and Holland. There are two other notable exceptions, Great Britain for one, which is perhaps taken for granted. I would like to have his opinion as to whether we could not get some very worthwhile immigration, now perhaps that antagonisms and prejudices resulting from the war are disappearing, fortunately, from Germany, and whether the congress would be in favour of a substantial number of German immigrants coming into Canada.

Hon. Mr. HORNER: That was what I was going to ask.

Hon. Mr. EULER: There are some millions of refugees taken over in some parts of Poland. We have in Canada a great many people of German birth or extraction. I am of German extraction, not of German birth; and I think they have developed into the very best class of Canadian citizens. Do you not think that it might be well to admit to Canada some of these people that I think would become very good Canadians and producers?

Mr. LEVINSON: Yes. I would only like to say, senator, that the countries we have mentioned, Italy, Holland and Belgium were only used because of very heavy over-population in those countries.

Hon. Mr. EULER: That is true of western Germany now.

Mr. LEVINSON: Yes, and we have presented to the Senate Committee which was investigating the question of immigration, a complete brief of our position on that point. I could have attached it, but I did not think the honourable senators would find it advisable. On the particular point which you mention, I would simply perhaps ask Mr. Mosher if he would like to answer it. I have personal views on it.

Mr. MOSHER: Well, gentlemen, I think that the only reason those three places were named and the others left out is, as the senator has said, we take it for granted that Canada is always glad to have immigrants from Great Britain and from Germany; and I think that we must all agree that those who have come to us from these countries have helped to make Canada as great as it is today.

Hon. Mr. HORNER: I wondered, too, because I wanted to ask that question. If you look up the names of the men in the past war from my province of Saskatchewan—I can give one case of a German family at Moose Jaw that had six sons in the army here; and as far as that is concerned I think that there is a greater need in Germany than in any of the other countries that you have mentioned because of the immense numbers flocking over from eastern Germany, and they have been forced to remain under communism because of the impossibility to find houses, let alone employment. So that I would think their need is even greater—at least, they are able to take care of their own in their own country.

Mr. MOSHER: I think, however, that we must be even more careful in our immigration policy in respect to Germany, where thousands of these people are coming over from the communist ridden part of the country, because I have no doubt in my mind, and I am sure the members of the congress who have given study to this problem have it in their mind, that all that are coming over are not coming just to be free citizens of the free world, they are coming

over in large numbers, I am quite satisfied, to help give propaganda to the kind of idealism that they have in Russia and their satellite countries. I think it calls for great caution in allowing people to come from that country in a mass way, and travelling through countries overrun by the communists.

Hon. Mr. HORNER: But I would not agree for one minute that there is any greater danger from Germany of that kind of thing than any of the three countries you have mentioned here.

Mr. MOSHER: It is a matter of opinion; we have not the same influx.

Hon. Mr. HORNER: We have had very few Germans come.

Hon. Mr. LAMBERT: Is it not true that in the movement of peoples from one country to another in the past century it has been greater after wars, and as a rule has accompanied the greater movement of goods from one country to another? In other words, a period of great trade expansion and freer trade and flow of goods has been accompanied by immigration rather than during periods of economic nationalism when people are isolated?

Mr. LEVINSON: I think that dislocations from war would result in a higher flow. There is no doubt that some countries in Europe will continue to find the population problem a more acute one as the result of a natural increase taking place. I think that while there is a special problem in the post-war period in terms of reconstruction, there is a long-term problem in terms of population, density in Europe.

Hon. Mr. LAMBERT: But is it not so that in the past the settlement of this continent by migration from Europe was pretty largely coincidental with the period of free trade which existed throughout the world from the middle up to the end of the last century.

Mr. LEVINSON: That is a point, but I would not like to comment on it. I have no figures.

Hon. Mr. LAMBERT: My point is the movement of goods and freer trade is coincidental with the movement of people.

Mr. LEVINSON: Yes.

Hon. Mr. HORNER: I might say to the witness on this suggestion that we might give away food—and I agree that possibly there is a place for it—that by reason of the strike of loaders in Vancouver some millions of bushels of grain have spoiled because it was left lying on the ground and was not handled properly.

Mr. MOSHER: Mr. Chairman, may I answer the Senator by saying that I hope he is not one of those people who say that when a local group of workers go on strike that they are the only people who cause grain to spoil. It is not altogether because of a strike.

Hon. Mr. HORNER: But a solution should be found.

Mr. LEVINSON: My understanding is that the Prime Minister has suggested that it was not the fault of the workers but the fault of the company.

Hon. Mr. LAMBERT: We are getting a little off the subject.

Hon. Mr. KINLEY: Mr. Chairman, I agree with Senator Euler that immigration is perhaps the most important factor in Canada's development and perhaps in her trade. I am glad to hear a direct expression of opinion on this point from the Congress of Labour, because it is generally thought that they are against immigration. Their stand now is all to the good.

You suggested that we accept part sterling for the sale of our goods to Europe. What would be the mechanics for the carrying out of that scheme?

Mr. LEVINSON: Let us say that we have a surplus of agricultural products. We would send those agricultural products to the United Kingdom, the

exporters would be paid in dollars by the Canadian government, and we have suggested that a counterpart fund be set up in the United Kingdom, in sterling, which counterpart fund could be used for the purchase of material for the Colombo Plan or for the purchase of our government in the United Kingdom. We have suggested the device of a counterpart fund of that kind in conjunction with the Canadian government paying the Canadian exporter.

Hon. Mr. KINLEY: You advocate subsidizing export trade?

Mr. LEVINSON: No; we advocate that the Canadian government pay dollars to the Canadian exporter, and that a counterpart fund in sterling be set up for purchases in the sterling area and under the Colombo Plan.

Hon. Mr. KINLEY: Suppose I am an exporter, or a farmer, and the government agrees to accept part sterling for my goods. If the government accepts payment in sterling and pays me in terms of dollars, it would not be satisfactory. The United Kingdom wants our money in preference to their own.

Mr. LEVINSON: It would not affect the Canadian exporter, who would be paid directly by the government in Canadian dollars.

Hon. Mr. KINLEY: But the government must take up the slack between the two currencies.

Mr. LEVINSON: Yes; but it can use the sterling in a number of ways. This is one device which would enable us to sell to the sterling area and also increase our sterling purchases.

Hon. Mr. KINLEY: But the government would get only part of the value of dollars by taking sterling.

Mr. LEVINSON: I am not clear on the point you are making.

Hon. Mr. KINLEY: If the government takes sterling in payment, it is not worth as much as our dollars.

Mr. LEVINSON: Certainly it is, if we use it to make purchases in the sterling area.

Hon. Mr. KINLEY: But somebody must take up the slack.

Mr. LEVINSON: We simply use it, let us say, as for part of our government purchases in Britain or under the Colombo Plan.

Hon. Mr. KINLEY: But our price is in dollars.

Mr. LEVINSON: The price transaction would remain constant; it is an equivalent value.

Hon. Mr. KINLEY: For instance, I had a cable this morning about goods I have purchased in England, and they demanded Canadian dollars. They told me what the price was in sterling, but they want my Canadian dollars. Now, if we accept their sterling, we are taking a depreciated currency and somebody must pay the difference.

Mr. LEVINSON: No; we would be given payment in dollars, and a counterpart fund in sterling would be set up. It would help to increase their supply of dollars.

Hon. Mr. KINLEY: But our government does not produce anything; it must buy goods from the producer and pay him for them in Canadian dollars.

Hon. Mr. BURCHILL: But the witness is talking about surplus, is he not?

The CHAIRMAN: Yes.

Hon. Mr. BURCHILL: As to the setting up of the counterpart fund, as suggested on page 8 of the brief, and that the government should use it to purchase in the United Kingdom, would that not decrease the dollar purchases in Great Britain? Today the Canadian government is giving them their much-needed dollars; and if we substitute sterling for those dollars, it would defeat its own purpose.

Mr. LEVINSON: No; we would be paying them in dollars.

Hon. Mr. BURCHILL: Yes, but you are proposing to form a counterpart fund with sterling.

Mr. LEVINSON: Yes.

Hon. Mr. BURCHILL: And the government is going to use that money to purchase goods in Britain, for which they are now using dollars. Do you see the point I am making?

Mr. LEVINSON: No.

Mr. MOSHER: I think one point Mr. Levinson has made has been overlooked; that is, we have said in our brief that while we think we should export much of our goods to help the Colombo Plan, that we should not be stuck at that. If we can buy in the sterling areas and supply the sterling areas, as we would do through this fund, it would cause no problem; it is merely a bookkeeping transaction.

Mr. LEVINSON: That would be one use for the counterpart fund, for sterling purchases.

Hon. Mr. CAMPBELL: Mr. Chairman, I should like to try to get clear on one point. I agree entirely with what Senator Kinley has said. If I understand your proposal correctly, you are suggesting that we set up a new method of trading with the United Kingdom, by which we will sell goods to them and accept, in part payment, sterling?

Mr. LEVINSON: No, I am not suggesting a completely new method. I am suggesting a way of dealing with certain commodities. Let us say, for example, that in one year our sales to the United Kingdom were \$200 million and their exports to us were \$100 million. As regards the balance of payments in our favour, we might say to them, "Some of our agricultural commodities are in surplus supply, and you want them, but you cannot buy them because you have not enough dollars. Therefore, for these agricultural products we will sell to you, instead of paying us, as you normally do, in dollars, we will pay our own exporters \$100 million for the products sold to you, and you will set up a sterling counterpart fund, which we will use for government purchases in Britain; for example, purchases under the Colombo Plan".

Hon. Mr. CAMPBELL: What would that do other than, first of all, granting credit to the purchaser to the extent of the sterling you accept? That is in the first place. It is a loan just as if you lent them money. In other words, the Canadian Government would be lending money to cover that sterling, which money would be used to pay the producer.

Mr. LEVINSON: No. It would be one means of helping to assist in greater purchases from Canada by the sterling area.

Hon. Mr. CAMPBELL: In the first instance it is nothing but a loan.

Hon. Mr. HAIG: No.

Hon. Mr. CAMPBELL: Let me ask you this question: when you do that first transaction, the Canadian Government would then have a sterling account in the United Kingdom?

Mr. LEVINSON: Yes.

Hon. Mr. CAMPBELL: And they would have advanced the dollars to the Canadian exporters?

Mr. LEVINSON: Yes.

Hon. Mr. CAMPBELL: And to that extent they have advanced dollars against sterling deposits.

Mr. LEVINSON: You substitute dollars for pounds. It is not an advance, it is an exchange.

Mr. MOSHER: There is a tremendous difference if you buy from the United Kingdom articles which are required, say under the Colombo Plan.

Hon. Mr. CAMPBELL: We are not at that point yet. In the first instance you suggest the Canadian Government would accept sterling and bank it in England. Are you suggesting that that should be convertible sterling or blocked sterling?

Mr. LEVINSON: Blocked sterling.

Hon. Mr. CAMPBELL: To be used for some specific purpose?

Mr. LEVINSON: To buy in the sterling area.

Mr. MOSHER: The purpose is to be able to sell something in the sterling area.

Hon. Mr. CAMPBELL: If the Canadian Government the next day buys electrical machinery in the sterling area for use anywhere, and pays for it in sterling, nothing has been accomplished, has it?

The CHAIRMAN: Excuse me, but the surplus has been got rid of.

Hon. Mr. CAMPBELL: Whereas today they might be buying the same article for dollars in the sterling area.

Mr. LEVINSON: But it can be used as a means of diverting trade to the sterling area. In other words, if you block it, you can suggest that we have to buy goods in the sterling area.

Hon. Mr. CAMPBELL: All you are suggesting in fact is that we buy a little more in the sterling area for dollars rather than have the purchases made in the dollar area.

Mr. LEVINSON: Yes. That is one means of doing it. It is one means of enabling us to buy in the sterling area, and at the same time, promoting the sale of our surplus agricultural products to, say, the United Kingdom.

Hon. Mr. CAMPBELL: You do not accomplish anything unless you have sterling convertible. That is really what you need.

Mr. LEVINSON: No: it is inconvertible sterling in a sense. We have to buy from the sterling area. But, by agreeing to a deal of that kind, we get rid of some of our agricultural products, for example.

Hon. Mr. CAMPBELL: It is not as simple as that.

Hon. Mr. HAIG: I would like to make a couple of comments. First, I am very happy to sit here and listen to a brief by the Canadian Congress of Labour; for one reason,—and I want to emphasize it,—the magnificent fight that that organization has put up to drive communism out of its ranks. The rest of Canada is under a great debt of gratitude to them for that fight. Number two: I do not think that I can agree with many things in this brief, but I will say this for the brief, that for the things they have advocated they have, in my judgment, put up the very best case they could. There has been some emphasis on a scheme of trading. But we have tried it; unfortunately for Canada we have tried it. About a year ago last February the United States had an embargo against our cattle, so we made a deal whereby we would sell so much beef to Great Britain, taking from them in payment an order on New Zealand for their beef in place of it; then we would sell the New Zealand beef to the United States. We invested many millions of dollars in that proposition. On paper it seemed a very fine idea, but would you like to tell me how much we lost on that transaction?

Mr. LEVINSON: I don't know, Senator.

Hon. Mr. HAIG: Four times as much as we put into it; about \$22,000,000. I am not saying that that is the scheme you propose, but it indicates the difficulties under present conditions. Senator Campbell is quite right: if you

under this deal sell some two hundred million dollars worth of wheat, or whatever it happens to be, to Great Britain, and they pay a hundred million dollars in American currency and a hundred million dollars in sterling, that sterling cannot be used here. In the meanwhile, to pay the farmers for this wheat, the government has got to lend, either itself or by somebody else, one hundred million dollars, for the purchase of products under the Colombo Plan. So that is good so far. But if there were no such proposition, we would have to buy goods for the Colombo Plan and would use our Canadian dollars for the purpose, and the British would take that and have that much money to use, instead of sterling, to buy our goods. The situation can be cleared only by a guarantee which will make sterling convertible, but I have never heard from anybody how that can be done. Until you do that you cannot help our trade, although you can assist a little with individual deals. As a matter of fact we have not a surplus of grain. The only surplus we have is in commodities where, as in the case of pork products, we went into the market and purchased at too high a price. I am referring particularly to pork products, which were kept off the market and the rest of the people in Canada paid more for these pork products than they should have. It is true that the farmers got more. But I have no knowledge—you may have—how you are going to get the cost of living down if you insist on setting a price on everything that is produced in this country. You say that the private investor would not invest. Why would he not invest in the Middle East?

Mr. LEVINSON: Because of stability conditions.

Hon. Mr. HAIG: There is no stability question as to the investor getting back his payments. You say the government should do it, but the government is really acting on behalf of the individuals. I do not know what the government takes from you each year in income tax, but I know I pay a little something. To that extent I am part of the government. Ninety-nine per cent of your employees pay income tax.

Hon. Mr. KINLEY: That is a pretty high percentage.

Hon. Mr. HAIG: Are you going to take the money away from the taxpayers and put it in there? As in Iran, the investment would be lost just as was the money the British Government invested in peanut plantations in Africa a few years ago. That money was all lost.

Mr. LEVINSON: A lot of investments were not lost.

Hon. Mr. HAIG: Most of them have been lost.

Mr. LEVINSON: Oh, I would disagree with you.

Hon. Mr. HAIG: That is what bothers me; these investments are all lost.

Mr. LEVINSON: You have made two points on this general question as to the proposal about sterling. In very simple terms, this is what it means. We will be selling more to Britain and buying more from the sterling area. That is it in a nut shell. In other words, we say to the British or western European countries, "You are short of dollars. You cannot buy our products and you want them. We shall send them to you and we will agree that we will increase the amount of our purchases by that much."

Hon. Mr. HAIG: I am not a government supporter, but let me ask you this. The government placed a large order for airplanes for the T.C.A. with Great Britain. That was all right, but that is the only way I think we can help them.

Mr. LEVINSON: Certainly one of the ways we can help Britain—and we have suggested it in our brief—is by increasing our purchases from the United Kingdom. Government purchasing, as you mention, is a major point in our brief. We still feel, however, that it is worth considering this kind of part-payment in sterling for our agricultural surplus products, and so on, and

buying more in the sterling area. The second point you raised was this. I believe you said Canadian or American investors would not invest in the Middle East. I should like to comment on that. You think it is because of political conditions of instability. I agree that that is one factor, but the other factor we tried to point out in the brief is that the people in many of those areas do not want private investment. One can agree or disagree with that opinion, but that is a fact, to my knowledge. We say that in those circumstances, if you are going to help these people, you must do it on the basis of something like the Colombo Plan. It must be done on a large scale through such agencies as the International Development Fund which has recently been set up. Private international capital is not likely to make a very large contribution to the development of many of these areas.

Hon. Mr. HAIG: I should like to ask you one more question. About ten years ago we invested some \$50 million in China. Did it do us any good? That was a government loan and we lost it.

Mr. LEVINSON: I suppose in a dollar and cents way the grants made by the Colombo Plan to India or Southeast Asia can be considered lost. However, in terms of the world political struggle these grants will mean increased purchasing from us in the future. I for one would never agree that this is really a financial loss. In my opinion we must make these grants.

Hon. Mr. HAIG: What gain did this country get from the \$50 million that was invested in China?

Mr. LEVINSON: I do not know.

Hon. Mr. HAIG: And in addition they stole our ships.

Mr. LEVINSON: I suppose so, but I submit to you, senator, not making these grants to Southeast Asia would result in far greater repercussions on the Canadian population than the \$50 million lost in China.

Hon. Mr. HAIG: Well, we lost that money completely.

Mr. LEVINSON: I am putting forth the statement that we must grant these people money. We do not know what will happen to the free world.

Hon. Mr. KINLEY: You say that they do not like private money. I think you will agree that the only people in the world who invest are those who have private money.

Mr. LEVINSON: I would suggest to you that at the moment, the grants being made through the Colombo Plan—through the International Bank for reconstruction and development, are not from private capital.

Hon. Mr. HAIG: Sure they are.

Mr. LEVINSON: Those are the agents doing the job of economic development in those areas.

Hon. Mr. KINLEY: In our country it is done in that way. The money comes from the taxes that the people pay.

Mr. LEVINSON: Well, if you want to look at it from that point of view I suppose you are right, but the actual effect of transferring capital from Canada to Southeast Asia in the Colombo Plan is not being done as in the past, through international investment on a private basis, but it is being done directly from the Canadian government to the government of India.

Hon. Mr. LAMBERT: That is really what is wrong with the plan.

Mr. LEVINSON: Whether you and I disagree or agree on that particular point, I think there is no alternative.

Hon. Mr. LAMBERT: I do not wish to usurp the point, but to follow up what Senator Haig was referring to in connection with the Colombo Plan, supposing for the purposes of argument the government of Canada does

everything you suggest in this brief in connection with that plan. How far do you think that would contribute to the solution of the problem that is supposed to be solved, or at least met, at any rate, by the Colombo Plan?

Mr. LEVINSON: You mean if the Canadian government contributed more, let us say, to the Colombo Plan, how much do you suppose I think that additional contribution would mean to the countries in Asia?

Hon. Mr. LAMBERT: This problem you are dealing with now is a big international problem, and we are one of several signatory nations in relations to the Colombo Plan. What I am getting at is, are we not a pretty small sector of that whole effort? And does not a great deal depend upon the efficiency and the ability of your international organization that you set up to handle the whole thing, as to what we do or do not do?

Mr. LEVINSON: I would suggest that we are one of the major, if not the major, countries in the Colombo Plan which is capable at the moment of assisting. I mean, the contributing countries to the Colombo Plan are primarily U.K. countries.

Hon. Mr. LAMBERT: The United States is in the Colombo Plan, is it not?

Mr. LEVINSON: The United States is not contributing much to the Colombo Plan.

Hon. Mr. LAMBERT: Why?

Mr. LEVINSON: It is using such agents as the Import Export Bank, and they have their own four-point program, et cetera. One of the reasons I suspect they are doing this is because they have greater control over them.

Hon. Mr. HAIG: You suggested India should have got more money out of the government. They have bloc sterling to the extent of millions of pounds. Why do they not release that? They will hold this capital until it gets valuable; and in the meantime they get it for nothing. Every time we give them 25 million under the Colombo Plan, let them give us the sterling—and they are not doing it.

Mr. LEVINSON: One of the reasons is that the bloc sterling is hardly utilizable in the dollar area and they can't get the goods.

Hon. Mr. HAIG: Let them give it up.

Mr. LEVINSON: Well, that is a possibility.

Hon. Mr. HAIG: Your plan does not suggest that.

Mr. LEVINSON: Well, there are a lot of things, senator, we have not suggested; that is the point.

Hon. Mr. HAIG: You suggested one other thing, that a committee be sent up to advise the government. The people elected in Canada are the people that should advise the government, and nobody else; the House of Commons should tell the government what to spend. Confederation says they are the people to do it.

Mr. LEVINSON: Well, I would not disagree that the elected representatives of the people are the ones who should make the budgetary allocations, and the committee we are suggesting is not that kind of committee, in terms of money, but a consultative committee, an advisory committee; and one of the major functions of that committee would be to interpret the effect of NATO action, in one of their sections, such as the labour forum, etc., and I think they are in as good a position if not better than many people to interpret the effects of any provisional move in NATO as it relates to their own people. I think that is a perfectly valid point.

Hon. Mr. HAIG: They should be the people who have the right to elect their representatives to the Commons at the next election.

Mr. MOSHER: One of our reasons for suggesting one of these committees is because we found out how really valuable they have been. They were valuable during the war when we had our selective service advisory committee, composed of people in all walks of life. We found them advisable with respect to the administration of the national employment funds; and the government has found them very valuable assistance to have on the special committee—representatives of the various organizations on the committee.

Hon. Mr. HAIG: Not advising people how to spend money. A Royal Commission just recently spent a large amount of its time telling people we should spend money, but they did not tell us how the money was to be raised. The members of the House of Commons will soon be going back to the people, and the people may have something to say as to how much money they shall spend.

Mr. MOSHER: I don't think they will.

Mr. LEVINSON: I am not an authority on the great monetary functions of the committee, but for example, if as a result of NATO liberalization of trade a particular section or industry was affected, now you can see the big effect on the people of that industry. Let us say those who are represented by the Canadian Congress of Labour. Is it not worth consideration at least to suggest that before these measures which do affect our people are put into effect as it relates to NATO—that we should have somebody in an advisory capacity, some machinery, to say whether they will be affected this way? One further point. If this is not done, I want to suggest, and I submit, senator, that if there is no consultation there is a possibility that one will run into the kind of political reaction to attempt to liberalize trade that would invalidate any possibility of putting it into effect.

Hon. Mr. LAMBERT: We have run into that right away, I am afraid.

Hon. Mr. HAIG: In the United States they have people at Washington advocating that tariffs be put on zinc; and they have people there that say that. In my experience as an elected member for many years, I am a little keener than anybody else to see that the people in my district get a fair deal, and I am a better judge of it than anybody else, and they think so because they sent me there. Don't you think that a man from the city of Toronto or the city of Montreal would be keener on seeing his own people were not unemployed than anybody else could be? In my experience, I think he would.

Mr. LEVINSON: I am not proposing in this kind of suggestion that we abrogate in any sense the functions of parliament.

Hon. Mr. HAIG: But that is the effect on it.

Mr. LEVINSON: Oh, no, I disagree completely. If in a particular area a committee is consulted for its specialized knowledge—a parliamentary committee, one might suggest that if you are correct we are taking away the functions of parliament. I would disagree with that completely. I think there is room—

Hon. Mr. HORNER: Your recommendation on immigration is of no value whatever, because you hold a threat over the government. You specify that no labour shall be displaced, and if it is the government must find work for the men. In other words, you would have them paid for doing nothing if the work was not available. You hold that threat over the government.

Mr. LEVINSON: I see nothing in this brief, senator, that suggests that point. What we do suggest is that as a result of more imports, let us say, liberalization of trade takes place in Canada, then we feel there is a positive obligation on the Canadian government to alleviate those workers; that is the point.

Hon. Mr. HORNER: But you speak of immigration—

Mr. LEVINSON: We say we advocate long term and a high level of immigration as long as it is planned.

Hon. Mr. CAMPBELL: There is one question I would like to have the witness comment on. There is a good deal of theory in this brief. I think it has been well presented in every way, but I was a little disappointed that there was not some suggestion as to how we are going to meet competition from other markets. Now, take the importation of goods from Germany, England, and many other markets, that is beginning to have an effect on the market in England, and in particular the Germans have been reaching out and getting markets, opening their markets again, very successfully. The Japanese have their eyes on the markets of Canada again. And I was wondering if the congress had given any study to that particular question as to how we can keep our manufactured costs at a competitive level with these other countries.

Mr. LEVINSON: Well, perhaps Mr. Mosher would like to comment on that. We certainly have attempted to co-operate through labour management committees to maintain the efficiency of Canadian industries.

Hon. Mr. HORNER: Might I suggest that when you spoke of industrializing those countries, might that not be a dangerous step until we find out upon what foundation their economy is based?

Mr. MOSHER: I do not think the danger is half as great as you say it is. If I were to undertake to tell the honourable gentlemen how I think we are going to meet the competition, I am sure you would not wholly agree with me. I say first of all that we must have greater economy planning and more efficiency in industry; and that does not come about readily by a good proportion of the huge corporations and financial interests who are today operating Canadian industry.

Hon. Mr. LAMBERT: Mr. Chairman, this discussion, preceded by the very excellent brief, has produced a most involved and complicated argument. I have not sat in on a meeting like this since I was at the United Nations in 1947; there I was awakened to this kind of discussion.

I am wondering, at this late hour, whether there is anything to be gained by sitting later today. Unfortunately, we do not have much time left at this session to discuss anything. This brief has raised so many questions that we could argue all day long on it, and I do not know whether we would reach any satisfactory conclusions.

Mr. MOSHER: May I say, Mr. Chairman, and gentlemen, we will be at your service at any future time which you think we could come and clarify some of our suggestions, or be of any help to you or the government. While you may not agree with us, we will be glad to come back and talk to you at any time.

Hon. Mr. KINLEY: Mr. Chairman, before we go may I say we are not approaching this subject in weakness; we are the best traders in the world, and we are on the top as far as world trade is concerned. We are proud of our trade position.

Mr. LEVINSON: That is very true, Senator Kinley, and that is why the brief concentrated in part on the strong helping the weak.

The CHAIRMAN: Honourable senators, that concludes the meetings of the committee for this session.

The Committee adjourned to the call of the Chair.

THURSDAY, May 7, 1953.

REPORT OF THE COMMITTEE

The Standing Committee on Canadian Trade Relations beg leave to report as follows:

1. Pursuant to the order of reference dated February 26th last whereby your Committee was authorized to enquire into and report on the most practical steps to further implementation of Article 2 of the North Atlantic Treaty, your Committee has heard submissions from eleven leading commercial, industrial, and labour organizations.

2. Through the presentations made by these groups your Committee has become increasingly aware of the great interest being shown by various groups within this country, as well as without, in order to eliminate conflict in the international economic policies of member countries in this North Atlantic alliance.

3. Your Committee realized from the beginning of this undertaking that there would be insufficient time during the present sitting of Parliament to hear all those who wished to present views on this matter. There are many additional groups who have expressed a desire to appear before it. For this reason it has not been possible to complete findings and submit a report at this time.

4. Your Committee therefore expresses the hope that at the earliest possible date during the next Session of Parliament your Canadian Trade Relations Committee be authorized to continue its work under the present order of reference. The great interest being shown by both national and international organizations in this important matter emphasizes the necessity of reaching conclusions from which may emerge constructive ideas for closer economic collaboration among signatories of the North Atlantic Treaty.

5. Your Committee also recommends that if the present work of the Canadian Trade Relations Committee is resumed during the next Session of Parliament, it be authorized to retain an economic consultant or other qualified person or persons to assist it in further enquiries and review the submissions and recommendations presented in order to achieve the greatest possible results from the work already accomplished.

All which is respectfully submitted.

A. NEIL MCLEAN,
Chairman.

APPENDIX E

Restrictions, by Continents, on Importation of Spirits from Canada

NORTH AMERICA

Greenland (Denmark).—No restrictions.

Mexico.—No restrictions.

CENTRAL AMERICA

Costa Rica.—No restrictions

Guatemala.—No restrictions.

Honduras (Spanish).—No restrictions.

Honduras (British).—Importations permitted under British West Indies

Liberalization Plan (B.W.I.L.P.). (See page A-2).

Nicaragua.—No restrictions.

Panama.—No restrictions.

Salvador.—No restrictions.

WEST INDIES

Antigua (U.K.).—Importations permitted under B.W.I.L.P.

Bahamas (U.K.).—Importations permitted under B.W.I.L.P. and special import permits granted periodically to take care of tourist trade.

Barbados (U.K.).—Importations permitted under B.W.I.L.P.

Bermuda (U.K.).—No restrictions.

Dominica (U.K.).—Importations permitted under B.W.I.L.P.

Grenada (U.K.).—Importations permitted under B.W.I.L.P.

Jamaica (U.K.).—Importations permitted under B.W.I.L.P. and hotels catering to the tourist trade are granted special permits for small quantities.

Montserrat (U.K.).—Importations permitted under B.W.I.L.P.

St. Kitts (U.K.).—Importations permitted under B.W.I.L.P.

St. Lucia (U.K.).—Importations permitted under B.W.I.L.P.

St. Vincent (U.K.).—Importations permitted under B.W.I.L.P.

Trinidad (U.K.).—Importations permitted under B.W.I.L.P.

Turks Island (U.K.).—No restrictions.

Cuba.—No restrictions.

Netherlands Antilles.—No restrictions.

Dominican Republic.—No restrictions.

Haiti.—No restrictions.

Puerto Rico (U.S.).—No restrictions.

Virgin Islands (U.S.).—No restrictions.

French Antilles.—No restrictions.

British West Indies Liberalization Plan.—Under this Plan Canadian firms who have exported to the B.W.I. Colonies for the years 1946, 1947 and 1948 are permitted to apply to The Department of Trade and Commerce for an allocation of 40 per cent of the average F.O.B. factory value of their own shipments in those years for each colony.

SOUTH AMERICA

Argentina.—Licences for importation of Canadian Whisky have not been granted since June, 1947.

Bolivia.—Only occasional permits for small quantities granted due to exchange restrictions.

Brazil.—No permits granted due to exchange restrictions.

Chile.—Effective November 4, 1952, no permits granted for luxury items, including whisky.

Colombia.—Import permits are severely restricted due to exchange restrictions.

Ecuador.—Import permits are severely restricted controlled by State Liquor Monopoly.

Paraguay.—No permits granted due to exchange restrictions.

Peru.—Permits for small quantities issued at intervals by Government Liquor Monopoly.

Uruguay.—No permits granted due to exchange restrictions.

Venezuela.—No restrictions—This is the only free market in S.A.

British Guiana.—Importations permitted under B.W.I.L.P.

Surinam (Dutch Guiana).—October 9, 1952, Government lifted the prohibition on the import of whiskies.

EUROPE

Austria.—Our Austrian agents are shippers of Austrian wines to the U.S.A. and the Austrian Government allows them some compensation for the importation into Austria of our whiskies from Canada.

Finland.—The Finnish authorities will grant compensation to Canadian distillers placing orders for certain goods, i.e. Finnish liqueurs and ceramic ware, to be sold in Canada or the U.S.A. However there is no market in Canada so we have been unable to sell to Finland for years.

Germany.—The West German Government allows import permits to the agents of Canadian whiskies exhibited at various trade fairs in Germany on the basis of the dollars spent by us for exhibit.

Gibraltar (U.K.).—Import permits are not granted for the domestic trade.

Republic of Ireland.—The authorities issue licences for the importation of small quantities of Canadian Whisky from time to time.

Yugoslavia.—Private trading is not possible.

Malta (U.K.).—Import permits are not granted for the domestic trade.

Spain.—We recently suggested to the Spanish authorities that we would exhibit at the Madrid Spring Fair if they granted us an import permit in compensation. The reply was to the effect that no import permits can be made available to Canada.

Sweden.—After prolonged negotiations, the Swedish Government agreed to grant us compensation for our whiskies against the purchase of wood tops used for corks on a 25 per cent basis which allowed us to make a sale. This procedure is so cumbersome, time consuming and expensive as to make it hardly worthwhile. In fact when we started negotiations we understood that the compensation would be on a 50 per cent basis. This was reduced to 33 1/3 per cent and then to 25 per cent which included freight to Sweden so that our actual basis of compensation worked out at 18 per cent. In other words by buying \$100 worth of corks from Sweden we could get \$18 worth of our whisky into Sweden.

Switzerland.—There are no restrictions on the importation of Canadian Whisky into this market.

Trade with Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and the U.S.S.R. is not possible for obvious reasons.

AFRICA

Belgian Congo.—No Canadian Whisky has been imported into the Belgian Congo due to the fact that remaining stocks from wartime orders (when the territory was full of foreign technicians) are sufficient for the very small demand.

British East Africa (Kenya, Tanganikya, Uganda).—Since the war there have been no import licences for Canadian Whisky into Kenya, Tanganikya and Uganda. Our agents are continually asking for import licences but are advised that no dollars are available.

British West Africa (Nigeria, Gold Coast, Sierra Leone, Gambia).—No permits whatsoever are available for the importation of Canadian Whisky on the grounds that dollars are not available.

Anglo-Egyptian Sudan.—No import licences have been granted for a number of years owing to the lack of dollar earnings.

Egypt.—No Canadian Whisky has been imported for the domestic market for some time (even Scotch Whisky has not been imported since last October), but we have just heard from our agents that there is a possibility that the Egyptian Government will make currency available ex the cotton earnings and our agents are presenting pro forma invoice with a request for import permit.

Ethiopia (including Eritrea).—Importers are allowed to import dollar goods when they can obtain the necessary dollars on the local market. There are no restrictions on the importation of whisky except for the serious shortage of dollars.

Tangier.—Our agents are able to import their requirements of Canadian Whisky.

French Morocco.—Customers are now able to obtain fair supplies of Canadian Whiskies for the domestic trade.

Algeria and Tunisia (French).—Our French agents supply small quantities to these markets.

Liberia.—There are no restrictions on the importation of Canadian Whisky into Liberia. Imports are mostly made by American Companies with branches in Liberia.

Nyasaland (U.K.).—For a year or two after the war dollars were made available but for the last four years the authorities have made no dollars available for the purchase of whisky.

Somaliland, French.—Importers are able to obtain currency for their requirements of Canadian Whisky.

Somaliland, British.—No import licences are granted because there are no dollar earnings.

Rhodesia, Northern and Southern (U.K.).—No import permits for Canadian Whisky have been granted by the authorities in these territories since 1947 on the grounds that dollars are not available.

South Africa (U.K.).—In 1948, the South African Government found it necessary to restrict severely the importation of goods, such as whisky, from all sources, even where payment in sterling was possible. Two years ago they made limited import permits available with the ruling that if the permit

was utilized for hard currency goods it should be cut by 50 per cent, i.e. £100 worth of import permit issued for Scotch Whisky would purchase only the equivalent of £50 worth of Canadian Whisky. This year, the authorities refused to allow the conversion of sterling import licences into dollars, even at the reduced rate. Our agents and the Canadian Government Trade Commissioner in Johannesburg are endeavouring to have the authorities alter the regulation for import permits granted during the second half of the year.

Tripolitania.—Our agents are applying for an import permit for the domestic trade.

Mozambique (Portuguese East Africa).

Angola.—The importation of alcoholic drinks of non-Portuguese origin into these markets is strictly controlled and the only permits issued are small ones for Scotch Whisky and Gin paid for in sterling.

ASIA

Aden (U.K.).—Permits for Canadian Whisky are not granted, on the grounds that dollar currency is not available.

Afghanistan.—No dollars are available.

Arabia.—King Ibn Saud recently imposed an absolute prohibition on alcohol, even for diplomats and foreign employees in the oil fields.

Burma.—Just after the war, we were allowed a small token import of Canadian Whisky. Since Burma became independent it has not been possible to obtain any import licenses owing to dollar shortage.

Ceylon.—After Ceylon was granted Dominion status in 1948, the authorities issued small permits for the importation of Canadian Whisky and made dollar currency available. In January, 1953, the Ceylon authorities ruled that no further licences could be issued for Whisky from Canada. The importation of beer will be permitted, however, and the question of whisky will be reviewed in May, 1953. We have complained to The Department of Trade and Commerce, Ottawa, against this discrimination against Canadian Whisky.

Cyprus (U.K.).—No import permits have been granted since the war for Canadian Whisky owing to lack of dollars.

French Indo-China.—No import permits available.

Goa (Portuguese India).—Dollar currency is not made available for the importation of Whiskies.

India.—No import permits have been granted for Canadian Whisky since the war. Many parts of India have prohibition and Europeans are on a small ration.

Indonesia (formerly Dutch East Indies).—No permits available.

Iran (Persia).—Total prohibition is in force for the inhabitants of Iran.

Iraq (Mesopotamia).—No permits have been made available for over five years on the grounds that dollar currency is not available.

Israel.—This country is desperately short of all currencies. Our agents have just submitted a pro forma invoice with request for an import permit for a moderate sum.

Jordan.—No permits are granted for Canadian Whisky for the domestic trade as dollars are not available. (Jordan absolutely depends on the United Kingdom for any dollar currency.)

Pakistan.—Dollars are not available for importations for the domestic trade.

Singapore and Malaya (U.K.).—Imports of Canadian Whisky are allowed but currency is not made available by Malaya. Payment is made from Hong Kong.

Syria.—In November last year the Ministry of National Economy in Syria issued a decree prohibiting the importation of all alcoholic beverages. Previous to this, permits were granted for Canadian Whiskies.

Lebanon.—No restrictions.

Thailand (Siam).—Canadian Whisky is allowed into Thailand. The agents have to pay with dollars purchased on the free market at a high rate.

Japan.—Only limited permits granted for imports of spirits for civilian consumption.

Hong Kong (U.K.).—No restrictions.

Philippine Republic.—No permits granted for 2 years due to exchange restrictions.

China.—No trading allowed.

Korea.—No commercial trading allowed.

Taiwan or Formosa.—Limited purchases made by government wine monopoly.

AUSTRALASIA

Australia.—No permits granted since 1944.

New Zealand.—No permits granted due to exchange restrictions.

Samoa (U.K.).—No permits granted due to exchange restrictions.

Tahiti (French).—No permits due to exchange restrictions.

Guam.—No restrictions.

Fiji (U.K.).—No permits granted due to exchange restrictions.

NOTE: Military Forces and Members of the Diplomatic Corps on duty in countries other than their own who have dollars available are allowed to import spirits from Canada for their own consumption and are not subject to restrictions in force in any of the above markets.

